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STANDING COMMITTEE ON RESOURCES DEVELOPMENT

RESIDENTIAL RENT REGULATION ACT

THURSDAY, SEPTEMBER 18, 1986



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

Cordiano, J. (Downsview L)

Epp, H. A. (Waterloo North L)

Knight, D. S. (Halton-Burlington L)

Pierce, F. J. (Rainy River PC)

Reville, D. (Riverdale NDP)

Smith, E. J. (London South L)

Stevenson, K. R. (Durham-York PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Gigantes, E. (Ottawa Centre NDP) for Mr. Ramsay

Gordon, J. K. (Sudbury PC) for Mr. Taylor

Hennessy, M. (Fort William PC) for Mr. Stevenson

Jackson, C. (Burlington South PC) for Mr. Pierce

Poirier, J. (Prescott-Russell L) for Mr. Knight

Clerk: Decker, T.

Staff:

Richmond, J. M., Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Housing:

Curling, Hon. A., Minister of Housing (Scarborough North L)

Lavery, P., Director, Rent Review Policy Branch, Rent Review Division

Peters, F. H., Executive Director, Rent Review Division

From Minto Management Ltd.:

Greenberg, I., President and Chairman

Individual Presentation:

Pope, N.

From Andrews Brothers Construction Ottawa Ltd.:

Andrews, D.

Individual Presentation:

Overtveld, G. J.

From Regional Realty Ltd.:

Gould, J. M., Senior Vice-President

From Ottawa-Carleton Home Builders Association:

MacLennan, K.

From Mastercraft Development Corp.:

Blumenthal, D.

From the Federation of Ottawa-Carleton Tenants' Associations:
McIntyre, D., Executive Director
Dickie, J.
Hamilton, J.
Gloger, F.
MacDonald, K.

From Bayshore Tenants' Association:
Chenard, E.

From Dalhousie Health and Community Services:
O'Connell, D.

From Island Park Tower Tenants' Association:
Veale, P.
Scott, I.

From Riverside Court Tenants' Association:
Charette, J., President

From Colonel-By Tenants' Association:
Gateman, R.

From Abbey-Bronsvew Tenants' Association:
Mr. MacDonald

From the Association of Centretown Tenants:
Shane, M.
Barnhart, K.
Grace, B.



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

* * * * *

BEFORE:

Floyd Laughren	-	Chairman
Joan Smith	-	Member
Joe Cordiano	-	Member
Herb Epp	-	Member
David Reville	-	Member
Jim Gordon	-	Member
Mickey Hennessy	-	Member
Leo Bernier	-	Member
Cam Jackson	-	Member
Hon. Alvin Curling	-	Member
Larry South	-	Member
Evelyn Gigantes	-	Member
Bernard Grandmaître	-	Member

* * * * *

Sitting in the Westin Hotel, Ottawa,
Ontario, on Thursday, the 18th day
of September, 1986.

* * * * *

Nethercut & Company Limited,
185 Richmond Street West,
Toronto, Ontario
M5V 1V3

Per: J.F. Waddell, C.S.R.



1 THE CHAIRMAN: The Resource Develop-
2 ment Committee will come to order.

3 Before we begin, I would like to
4 introduce Members of the committee who are here.
5 Some Members are not here. I understand they are
6 attending a function to unveil a statue and will be
7 joining us in a little while.

8 On my far right is Jerry Richmond, who
9 is not a Member of the Legislature, but a Legislative
10 Researcher spending time with the Committee.

11 Next to him, just sitting down, is
12 Mickey Hennessy, Member from Fort William. Next to
13 him, Jim Gordon, Member from Sudbury. John Poirier,
14 the Member from Prescott-Russell. Tod Decker, the
15 Clerk of the committee.

16 Next to me is the Honourable Allen
17 Curling, Minister of Housing. Then Joe Cordiano,
18 Member from Downsview in Toronto. Then Joan Smith,
19 Member from London South. David Reville, Member
20 from Riverdale in Toronto. I am Floyd Laughrin,
21 the Member from Nickel Belt and Chairman of the
22 committee. It is an all party committee, by the way.

23 Before we begin, the Minister of
24 Housing would like to say a few words and extend
25 greetings.

MR. CURLING: Thank you very much,
Mr. Chairman. I will take this opportunity to
welcome everyone to the Hearing. This is our third



Toronto, Ontario

1 stop outside of Toronto, and I gather that Ottawa
2 is very famous for getting very much involved in
3 community affairs.

4 Bill 51 is one on which we expect
5 to listen carefully to public input and I just want
6 to say how happy and appreciative I am that everyone
7 here has found the time to come out today and
8 tomorrow.

9 I also, Mr. Chairman, would take
10 this opportunity to say that the Ministry was asked
11 by the Government to present a report and I am happy to do
12 so. Before I do that, I would like to say that when
13 we are looking at Bill 51, remember the historic
14 way in which it came about where tenants and land-
15 lords were working out the details. We find that
16 Members of the committee are working just as hard
17 to bring it about.

18 I am very pleased today to be able
19 to table a report prepared by the Ministry staff
20 providing preliminary estimates of the impact of
21 rent review reforms and the average rent increases
22 for tenants in Ontario. This is, in effect, a
23 projection of the effects which Bill 51 will have
24 on rental increases across the province.

25 Briefly, our estimates indicate that
rent increases under Bill 51 will, next year, average
about 4.7 percent and will result in overall rent
savings of up \$21 million for tenants in Ontario in



1 comparison with the present system. The estimates
2 calculate this minimal increase will be due to the
3 establishment of the rent registry which will
4 eliminate illegal rents in Ontario. It is also due
5 to the reduced increase in units built since 1975
6 when they are brought under rent review. Moreover,
7 the estimates show that rent savings will more than
8 double to \$45 million annually once the new rent
review system has been fully implemented.

9 I urge you to read this report on
10 the impact of the rent review reforms carefully
11 because it examines in detail the impact of all
12 the components of Bill 51 on behalf of future rent
increases.

13 I would add two provisos. These
14 estimates are based on very conservative -- pardon
15 the word -- assumptions. Secondly, the projections
16 are averages only. Bill 51 is primarily designed
17 to stabilize rents for the tenants of Ontario.
18 This report provides strong confirmation that it
19 will indeed achieve that goal. There is an
20 executive summary and if you are like myself and
21 not very adept at legal phrases and calculations,
22 it will help to understand the calculations that
23 are there. My staff is here at any time later on
to explain in more detail.

24 Thank you very much, Mr. Chairman.

25 THE CHAIRMAN: Thank you, Mr.



1 Minister. The report has been distributed to
2 Members of the committee. Just for the benefit of
3 those who have not been before the committee before
4 or seen it in action, Bill 51 was given second
5 reading in the Legislature and sent out to this
6 committee to hold public hearings. Then, when
7 these public hearings have been completed, we will
8 debate the bill clause by clause and make any amend-
9 ments the committee sees fit. After that, it will
10 be reported back to the legislature, presumably in
11 its amended form. So, the date is indeterminate
12 as to when that entire process will be completed.
13 We do know the public hearing process will be
14 completed in two more weeks before the Legislature
15 returns for the fall session.

16 We have, in Ottawa, a full session
17 today running through until about nine o'clock, and
18 tomorrow morning and tomorrow afternoon as well.
19 Because there were so many requests for presenta-
20 tions, we felt that we would rather squeeze them all
21 in rather than restrict them. But we did to make
22 sure that we limited to presentations to about half
23 an hour. So far in our travels, the people who
24 have made presentations have been very cooperative
25 and have indeed kept their presentations to half an
hour or less which allows us to question people
when there are questions on parts of the brief which
are not understood by Members of the committee.



1 So, without any further delay, we
2 will move on ..

3 The first presentation is from Minto
4 Management Limited, Mr. Greenberg. If you would
5 proceed to the table and make yourself comfortable.
6 Mr. Greenberg's brief has been distributed to the
7 committee.

8 Welcome to the committee, Mr.
9 Greenberg.

10 MR. GREENBERG: President and
11 Chairman, Minto, M-i-n-t-o-, Construction.

12 Mr. Chairman, Members of the
13 Committee, first I would like to thank you for
14 visiting us here in Ottawa. Even if we are the
15 second largest city in Ontario and the nation's
16 capital, we still feel a bit remote sometimes from
17 the goings on at Queen's Park which affect us in
18 such important ways. We appreciate your coming
19 here. We are especially encouraged that you think
20 this bill is important enough to warrant such a
21 full airing across the province in so many cities.

22 We agree with you that Bill 51 is
23 important. It is not what we want but it is what
24 we need in order to keep going. When I say it is
25 what we need, I mean that our company is one of
the few remaining major ones in the province still
actively building rental units in a large way. I
can tell you that we need this bill -- amended, I



1 might say -- to continue or we, too, shall have to
2 end new rental construction.

3 Before speaking about the bill, let
4 me tell you a bit about the company, Minto Construc-
5 tion Limited. Minto is a private family company
6 founded in 1955 and I am its President and Chairman.
7 Over 30 years, we have built in excess of 30,000
8 housing units, both for sale and for rent. We
9 manage 12,000 rental units. Ottawa is far and away
10 our main market but we are also active in Florida,
11 and, since the beginning of this year, I am happy
12 to report, we are going to be in Metro Toronto.

13 We are one of the leading builders
14 in Eastern Canada and the largest residential firm
15 in Ottawa by quite a margin. However, we still
16 account for only about 12 percent of the rental
17 market in Ottawa. In other words, we have no
18 significant market control. I mention this only to
19 make an important point about the nature of our
20 industry. The rental housing industry is a highly
21 competitive one, compared to many other businesses.
22 That is true in Ottawa, and I think it is generally
23 true elsewhere. Rental housing is a business
24 dominated by many small operators with only a few
25 large ones, very few I might say, and none of them
big enough to have significant control over markets.

Because competition has always been
intense in the rental market, it is perhaps the last



1 industry which needs any kind of price controls. This
2 has always been the great puzzle for me about Ontario
3 rent controls. We have been doing it for 30 years
4 and I can tell you competition has always been
5 fierce. This explains why the rental industry has
6 so little success in keeping rents in line with
7 inflation in the decades before rent controls. In
8 those days, rents always lagged a good deal behind
the cost of living.

9 How well I recall those days. There
10 always seemed to be a surplus of new apartment
11 buildings just when we brought our units to market.
12 We would have to give bonuses to tenants, or free
13 rents and TV sets just to get them filled up. Some-
14 times even that didn't work and we would have
15 a building half empty for six months. I am not
16 complaining about this. Quite the contrary. We
17 always met the challenge and took it in stride
18 because we had a good product at a good price. I
19 only mention it to point out that tough competition
20 in the days before rent control usually worked to
21 tenants advantage in holding down rents and in
22 creating a periodic surplus of housing. I think
23 those of us who remember those early days of 1975,
24 and I am sure some of you do here, know that there
25 was a shortage in 1974 and 1975. I think we can
always remember that rent controls came in at that
time for a relatively short period. Of course, that



1 was the time the other controls came on the Canadian
2 economy and we all know those were lifted. Somehow,
3 for some reason, this very competitive industry
4 where major investors are not making large invest-
5 ments because they can get more return on their
6 money elsewhere, we now find that it is still regu-
7 lated. It is kind of ironical, maybe Shakespeare
8 would call it dramatic irony, that here we are some
9 ten years later going through the whole procedure
10 again and I can only hope that it will be more
fruitful this time than it was some ten years ago.

11 Mind you, rent controls have surely
12 solved that surplus problem in Ontario. What a
13 crisis we now have.

14 Let me get back to Minto Construction
15 for another moment. After getting started in the
16 early days, we maintained our chain of investment
17 by reinvesting funds from older buildings into new
18 ones. More recently, we have branched out into
19 commercial buildings, including integrated business/
20 residential complexes in downtown areas. We have
21 added this commercial activity for purposes of
22 diversification and also as a hedge against exposure
23 to further rent controls.

24 Minto's corporate philosophy is
25 simple even if its execution is a constant challenge
to achieve. It is based upon the concept that the
business of building shelter is essentially the



1 business of building communities, previously suburban
2 and now inter-city also. This philosophy has proven
3 realistic and achievable. We have always built
4 quality housing with quality design, material and
5 workmanship, along with the highest standards of
6 upkeep and maintenance. More important, we have
7 always aimed for the highest quality of community
8 and development. For example, by the blend of
9 rental units with single family and condominium
10 homes, along with a mix of high rise and low rise
11 structures. We have always sought to integrate
12 housing needs with broader community needs by
13 planning our developments in innovative ways,
14 sensitive to community standards and tastes.

15 I said before that Minto has diver-
16 sified from house building and apartment buildings
17 to commercial office space and mixed-use projects
18 incorporating residential uses. But I want to
19 emphasize one point. We have still continued our
20 very heavy investment in rental housing. We are
21 one of the few left among the majors in Ontario
22 which has continued this. In fact, we are building
23 more rental units these days than just about anyone
24 I know; over 3,000 units since 1980, and we need
25 Bill 51 to continue.

For example, Minto has recently
created an exciting new city-style community. A
new 25-storey octagonal rental apartment tower



1 sitting atop a three-storey office podium containing
2 the Bradson, B-r-a-d-s-o-n, Business Centre. Carlisle
3 residents can live and work in their double suites
4 by arranging their office, complete with bathroom
5 and reception area, along with private sleeping
6 quarters, also complete with ensuite bath. Perhaps
7 I will get a few leases before the day is over. The
8 two-bedroom suites can also accommodate a den/study
9 in combination with private sleeping quarters.

10 Amenities include garden terrace and lounge and
11 private health and fitness centre. The Carlisle
12 contains 54 one-bedroom suites and 137 two-bedroom
13 suites.

14 I think it is very important to
15 mention this particular thing, and I have evidence
16 which I will leave with the clerk about this fine
17 complex, because it is a rehabilitation of an older
18 area. It is creating a new community in downtown
19 Ottawa, an area where previously at 5:30 or 6:00
20 very few people were there to enjoy the city. I
21 think that this kind of community is important.
22 I think it is more important as time goes on and as
23 our cities get older that there are vehicles so that
24 private development can take place and our cities
25 remain safe and secure and a great place to visit
for all of the citizens of Metropolitan Ottawa.

Very few of Minto's buildings are
under any kind of housing program. I would estimate



1 that we account for about ten per cent of all the
2 unsubsidized building going on in Ontario these days.
3 It is this large continuing output that explains why
4 Ottawa has the highest vacancy rate in Ontario at
5 1.5 percent last April, while other cities have a
6 desperate shortage because investors have fled the
7 market on account of the rent control issue. Besides
8 maintaining our flow of new investment, we have also
9 retained our existing apartment buildings, unlike
10 many who have bailed out of the rental market over
11 the last ten years. Included in these buildings,
12 I might add, is a number, offhand about 500 or 600,
13 limited dividend units which were started in 1957
14 and continued on into the early 1970's when rent
15 control came on in Ontario. So, you can see that
16 the private industry can also talk about affordable
17 housing, which I know a lot of you are concerned
18 about. I think in very many ways, whether rent
19 review was a good or bad thing in the 1970's, I do
20 not really know and I think it is irrelevant. How-
21 ever, I do know that if it is allowed to continue
22 in a destructive fashion, we will have another ten
23 years of shortages. There will never be any remedy
24 for the present crisis. The people who will really
25 be affected by all of this, most of all, are not
 people like myself or, I suggest, most Members of
 this committee. These are people who just do not
 have the money to pay the rent today. As Winston



1 Churchill said a number of years ago about an iron
2 curtain, I think in 1975-'76 some kind of iron
3 curtain was drawn in Ontario against rental housing.
4 When you get down to it, the people who are poor
5 are the ones affected, and those of you from Toronto
6 know the high sale prices in Toronto over the last
7 year or so, all, I think, emanating from 1975/1976
8 where, rightly or wrongly, rent review began.

9 I want to mention that Minto Construc-
10 tion has continued its very heavy investment in
11 maintenance and upkeep. In other words, we are still
12 very much in the game, and in a big way, too. For
13 example, Minto is in the final design stages of its
14 first rental development in Metropolitan Toronto.
15 The property is located in the Milliken area of
16 Northeast Scarborough. Construction is expected to
17 commence later this year. This development will
18 contain 462 one and two-bedroom apartments in two
19 high-rise towers.

20 There is one simple point in all of
21 this. It is the fact we understand rent control
22 and we have finally been able to absorb the effects
23 of the 1976 controls and we want to continue in
24 this rental program. We have gone against the tide.
25 We have defied the pessimists. We have stuck with
26 Ontario's rental economy through thick and thin.

27 Another example, Minto's new residen-
28 tial neighbourhood in the thriving new community of



1 Centrepointhe, located in the heart of the West End,
2 where tenants are presently moving into 158 new
3 three-bedroom townhomes. The overall development
4 of Centrepointhe consists of single family homes,
5 townhomes, apartments, office, and the City of
6 Nepean City Hall complex which will house a library
7 as well as other cultural facilities.

8 The question is: Why has Minto
9 continued to invest so heavily in our rent-controlled
10 economy? There are three points in this. First, I
11 firmly believe that rent controls, sooner or later,
12 will be phased out in Ontario. That means I am an
13 optimist, I suppose -- but I am not sure my wife
14 would agree with that -- in my belief that good
15 sense would ultimately prevail. Secondly, we have
16 found at Minto that we can make a modest but
17 sensible return on new rental investment under the
18 existing rules. That means if they get much tougher
19 we will not be able to do so. We, too, will then
20 finally have to stop investing like almost everyone
21 else. Third, we feel that we could continue to
22 operate under the terms of this proposed new bill.
23 That means it represents a delicate balance, as the
24 Minister has said on a number of occasions, of
25 positive and negative features which should not be
 disturbed.

 The bottom line is that if Minto
Construction can't operate under the new system,



1 then I don't think anyone can. So let's make sure
2 it's a workable package so at least we can continue
3 to function and perhaps a few more major builders
4 might join in, too.

5 However, I should be clear in saying
6 one thing. We view this bill only as a stopgap,
7 serving as a bridge to the de-control of rents.
8 De-control must surely come. As those of you who
9 read the Globe & Mail will know, earlier this week
10 John Sewell reported that even France has now
11 started a process of de-control because of the
12 serious shortages which have prevailed in that
13 country for so long. I firmly believe de-control
14 will come. If we thought rent control would
15 continue indefinitely then we could not justify much
16 in the way of further investment and we would
17 probably have to sell off our holdings. This is
18 because I know that rent controls are seldom a
19 static thing. They either get better or they get
20 worse, finally destroying investment values.

21 However, I am an optimist, and I
22 believe they will go because there will be a public
23 consensus that they should. In other words, controls
24 came in with the power of the people and they will
25 go out with the power of the people. In this
regard, my optimism is mainly about people, about
democracy, and about our ability to manage our
public affairs intelligently.



1 I might mention that our optimism
2 just paid off in New Brunswick. That is, in Atlantic
3 Canada. We bought a fairly large complex in
4 Fredericton a few years back. Just a year ago, they
5 abolished rent controls. The results of this move
6 by the government might be startling to some people,
7 but as a person in the business for 30 years, it
8 came as no surprise to me that Fredericton's housing
9 crisis was solved in pretty quick order and tenants
10 were the big winners.

11 Because they eliminated controls all
12 at once, rather than phasing them out, there was a
13 rapid turnaround and a good deal of new units came
14 on. This created a sizable housing surplus in just
15 a few short months. In fact, at this point, some
16 new investors are having to bear the cost of half
17 empty buildings. The vacancy rate is now well over
18 six percent after just one year of de-control. In
19 the months before de-control, it was less than one
20 percent, the same kind of desperate shortage we
21 have across Ontario. De-control has been a boon to
22 tenants because with such a high vacancy rate, there
23 is no way that landlords can increase rents.

24 Rent controls have certainly created
25 a sorry mess with hardly any benefits to anyone
except perhaps the subsidy it provides for the well
off tenant. The first thing we found out about
controls at Minto ten years back was the bureau-



1 cratic nightmare. Even as a fairly large organiza-
2 tion, we almost drowned in paper. Literally
3 millions, and that is not an exaggeration, of pieces
4 of paper. We had to set up a whole new team just to
5 deal with all this paper. We are able to contend
6 with it, but not so the smaller landlord. Many of
7 the ones I know simply couldn't cope. A good many
8 of them are small investors. Some have language
9 difficulties, or they are run off their feet just
10 attending to the basics of the business, or they
11 hold other jobs. It is important to remember these
12 small investors are the backbone of our industry
13 and they have been hit the hardest by the bureau-
14 cracy of rent controls.

15 In an affluent city like Ottawa, the
16 complexity of the system favours the well off
17 tenant while discriminating against the small land-
18 lord and the low income tenant. The sophisticated
19 tenant can work the system, learn the rules and
20 loopholes, prepare their cases and briefs, and take
21 time off work to plead their cases. The small
22 landlord and the lower income tenant cannot do these
23 things. We know that.

24 I do not want to dwell too much
25 further on the well known disaster that controls
have brought to Ontario. I urge this committee to
compare our rent-controlled economy with the
rental situation before controls came on in 1975.



1 Perhaps the Housing Ministry has done a report on
2 this and they certainly should.

3 Under rent controls, we have had a
4 collapse of construction and a desperate housing
5 shortage across Ontario never seen before. Heavy
6 public costs have emerged from failed government
7 efforts to replace the lost rental construction.
8 Falling rental incomes have cut apartment values
9 and led to huge sales of apartment buildings, as we
10 all know. Many landlords have cut back on mainten-
11 ance, a process that surely leads to slums.
12 Landlord/tenant relations have deteriorated badly.
13 Of course, we have the well known situation where
14 controls have favoured well off tenants and discrim-
15 inated against the poor.

16 We had little or none of this before
17 controls. We had a good production of new units
18 and a healthy vacancy rate which gave tenants a
19 wide choice. Good vacancy rates also kept rents
20 well behind the rate of inflation. Yet rental
21 incomes were still high enough to encourage a good
22 standard of maintenance in our housing stock.
23 Competition also produced healthy landlord/tenant
24 attitudes of mutual respect and mutual need.

25 There were always enough high grade
new units coming onstream to ensure tenants were
able to move up the ladder of quality. There was
relatively little public cost required in the



1 rental economy before controls. This is crucial
2 because it allows the poor to move up in our rental
3 economy. Taken together, Ontario had the best
4 rental economy in the world as to quality, cost and
5 availability before rent controls. This is
6 established by a variety of economic studies com-
7 paring international housing performance. Isn't it
8 obvious that we should get rid of rent controls just
9 as quickly as we can? When you look at the two
10 experiences in our rental economy, before and
11 after controls were instituted, the argument is
12 overwhelming. The public is catching onto this
13 as the media has continued to shift its support
14 away from controls. I think politicians are facing
15 a different public opinion environment today.

16 One thing seems clear to me. If we
17 keep controls on for, say, another decade, you are
18 going to see a major growth in slum housing in
19 Ontario. That is the experience elsewhere which I,
20 and I think most of us, have personally observed.

21 Well, this bill we are looking at,
22 Bill 51, certainly is not de-control, is it? In
23 fact, in combination with Bill 77 passed in
24 December, it is a major entrenchment of controls
25 in Ontario. It is a retrograde step compared to
what we have had over most of the last decade.

Bill 77 reversed the exemption from
controls for high priced units over \$750.00 per



1 month in order to give more protection to rich
2 tenants. Bill 51 reverses the exemption for units
3 built after 1975. At the same time, it institutes
4 a great variety of further bureaucratic measures.
5 Quite a number of these are unfair or impractical.
6 This bill will likely be bad for the rental economy
7 and for new construction. But we live in a practical
8 world, and when something is bad we sometimes have
9 to ask: Bad compared to what? That is why we are
10 supporting Bill 51. It is a substantial improvement
11 over what was proposed last May. What was planned
12 then was so bad our company would certainly have
13 pulled out of the market. Fortunately, the govern-
14 ment reconsidered the original proposals and came
15 up with Bill 51.

16 I believe that our company can
17 continue to build more rental units under the terms
18 of Bill 51 amended to reflect the RHAC Agreement.
19 I think that agreement was a historic document of
20 some kind. When I read it, I was impressed with the
21 coming together of these two groups. Some of the
22 names I know and some of the names I read about in
23 the newspaper on both sides of the Letter of
24 Transmittal. I think the the committee did great
25 work. I had no part of it and I just wanted to
take this public occasion to thank them. Mind you,
some investors will not, and no doubt some of the
remaining builders will pull out because of this



1 further tightening of the rules. From our point of
2 view, I think we can continue. For example, the
3 ten percent equity return provision on new housing
4 is important. But Bill 51, as amended, is the
5 minimum we need in terms of what was first proposed.
6 If this bill is made any tougher than it is, you
7 can count us out.

8 That is my overall assessment, and
9 it is subject to a great many imponderables. First,
10 it is a very complex bill. I read it a few times
11 and I must say that I hope I do not get too many
12 questions on it. I am not sure we have fully
13 absorbed all of its ramifications. This says some-
14 thing about the whole concept of rent controls,
15 their inevitable complexity, and the fact that
16 complexity itself becomes a major bar to investment.

17 Second, it depends on the regulations.
18 Some of us remember the problems which arose in
19 1977 and the regulations at that time. They will
20 determine the tone and tendency of the bill. These
21 regulations will make or break it in practice.

22 Third, it depends on who will be
23 applying all these complicated rules. That is to
24 say, the system of administrators who do the
25 mediation, and the Rent Review Hearings Board which
does the adjudication. Will these posts be staffed
by knowledgeable, fair-minded people? Will they
develop a predictable, consistent approach to apply-



1 ing their own rules? These are all important
2 questions, quite apart from the legislation itself.
3 They are questions which will be only be answered
4 in the fullness of time.

5 Having said all that, I would like to
6 close with a few observations on some of the provi-
7 sions of the bill itself. First, a general
8 observation about the additional bureaucracy which
9 this bill will bring about. It is going to be a whole
10 new world of regulatory nightmares. I am referring
11 to the new Residential Standards Board, the
12 Rental Registry, and the concept of the costs no
13 longer borne. This brings in three whole new areas
14 for contention between the landlords and tenants.
15 Before there was only one main area, namely the
16 amount of rent to be paid. This was difficult
17 enough, as we all know, and created a good deal of
18 adversity. Now we will have three more.

19 Perhaps these new areas, if
20 administered properly, may pose no direct problems
21 for us because we have no illegal rents and our
22 buildings are all above residential standards. But
23 these provisions will be a terrible burden for many
24 of the small landlords who are the backbone of our
25 rental economy.

Perhaps I might end with a general
comment which is perhaps a bit philisophical. Bill
51 is a more complex new regime which attempts to



1 recreate some of the features of the marketplace in
2 order to correct the defects of Ontario's previous
3 regime. In this context, we should, perhaps, all
4 consider the very fundamental issue. Is the human
5 mind and the collective wisdom of talented bureau-
6 crats capable of designing a system of rules which
7 can come even close to duplicating the free market
8 economy with its complex system of subtle checks
9 and balances? The unintended bad side effects of
10 complex regulatory regimes such as Ontario Rent
11 Control usually defeat the good they seek to
12 achieve. The evidence for this is clear: the
13 lessons of other rent control regimes and our own
14 experience in Ontario. On a broader scale, we have
15 the experience of centrally controlled industrial
16 economies which lag so far behind our own broad
17 prosperity. Their experience seems to suggest a
18 strong linkage between prosperity, a free economy
19 and a free society.

20 We should also look at our record
21 in Ontario prior to rent controls. We were probably
22 the best housed people in the world. It was
23 excellent quality housing, lots of it, and rents
24 lagging well behind inflation in the decade before
25 controls. Against that, we have the well
26 recognized problems of today under rent controls.
27 Important, too, from a political standpoint is the
28 declining support for rent control now clearly



1 reflected in the media and elsewhere.

2 However, in the meantime, as a
3 practical matter today, I want to emphasize again
4 that even if this bill is not what we want, it is
5 nonetheless what we need in order for Minto
6 Construction to continue its program of building
7 rental housing in Ontario.

8 Thank you very much for your
9 attention.

10 THE CHAIRMAN: Thank you, Mr.
11 Greenberg, both for your specific and philisophical
12 comments.

13 Before Members ask questions, we have
14 been joined by two Members of the committee, Mr. Cam
15 Jackson, who is third down from my right, from
16 Burlington South, and second from the far end to my
17 left is Evelyn Gigantès from Ottawa Centre.

18 Mr. Gordon has a question.

19 MR. GORDON: Mr. Greenberg, I thank
20 you, this is a very interesting brief. You have
21 obviously given a lot of thought to this and
22 obviously done a lot of thinking about Bill 51. I
23 am not going to ask you specifically about the
24 various clauses in the bill.

25 MR. GREENBERG: Oh, thank you.

MR. GORDON: But given the remarks
that you have made that Bill 51 entrenches rent
controls even further, and this is a retrograde



1 step, given the fact, as you pointed out, that it
2 makes things even more bureaucratic than before ---

3 MR. GREENBERG: For sure.

4 MR. GORDON: I think you said that.

5 MR. GREENBERG: Yes.

6 MR. GORDON: Isn't it true, really,
7 that the reason why you in this case are embracing
8 Bill 51 is because the original proposals put
9 forward with regard to extending the rent controls
10 on post-'76 buildings held such unknowns that it is
11 really about the only way that the development
12 industry can save its skin, given the fact that if
13 you could not in some way get a handle on what kind
14 of return you were going to get on the buildings
15 that you built post-'76, their value would continue
16 to fall, your rents would not keep up, and as a
17 result who would buy them?

18 Now, is this not really the basic
19 reason why you are going to go ahead and embrace
20 this bill? This bill does not build one more unit
21 in Ontario. Every developer who has come in, most
22 of them say, well, we cannot guarantee you that we
23 are going to build anything. So obviously, the
24 bill must be doing something for them and
25 obviously better the devil you know than the devil
that you do not know.

Could you comment?

MR. GREENBERG: Well, certainly I am



1 not sure that I would come at Bill 51 the way the
2 Member has. I see Bill 51 as important for new
3 construction. I think the problems of the past,
4 including pre-'76 and post-'75 are there and we have
5 to live with them. But I, for some unknown reason,
6 I guess some children want to be firemen or police-
7 men and some even politicians, somehow I decided I
8 wanted to be a builder. So most of the things that
9 I have said today I must say now I see for new
10 construction.

11 I can't really speak for a lot of the
12 other builders. I know quite a few of them and I
13 know quite a few tenants, too, so in that sense, it
14 is about equal. But I see it from a new construction
15 point of view and I think we are all realists. I
16 think my brief spoke of the fact we live in a
17 practical world and I am just not sure of all of
18 the reasons why politicians act and bring in
19 legislation. As I said in the brief, I cannot
20 understand why rent review was not taken off, say,
21 five or six years ago. I don't think that rent
22 review is helping the situation. I think maybe at
23 one time some of us would agree that perhaps there
24 was some unfair practices by landlords, but that
25 was well over a decade ago when we were all that
much younger, of course. I think it's obsolete
and I see Bill 51, amended I hope, as a tool for
the future.



1 I think all of us, and some of you
2 on this committee know some of my background, that
3 I happen to have been the first president of the
4 Centretown Citizen's Non-Profit Housing Association
5 which is having its Annual General Meeting tonight.
6 I am sure the Member for Ottawa Centre will probably
7 not be here this evening.

8 MS. GIGANTES: I will be here.

9 MR. GREENBERG: Oh, you will be here.
10 What I am trying to say is that I have always looked
11 at housing as a very broad issue. It might be
12 surprising that I was the first president of the
13 Non-Profit Housing because I think, as most of you
14 do, that housing is a vital resource. I am not
15 sure what this Committee on Resources is, but it
16 is a vital resource. I think we are all better off
17 when our people are well housed. We all know,
18 being realists, that there are problems of poverty
19 throughout the world, notwithstanding what the
20 Federal Minister from Newfoundland said a few weeks
21 ago. Ottawa has its share. We all know that. Those
22 of us that have been out in the real world anyway.
23 And I can't for one moment believe how this
24 committee can bring in additional legislation, and
25 how the government and all the Members from all
sides of the House, can bring in additional legis-
lation because that is what it is.

We all know that this was a plank in



Toronto, Ontario

1 the Liberal platform before the election and they
2 are obligated -- I don't know anything about politics
3 because I gave that up around '75 or '76. I could
4 never fathom it out. But we all know that the
5 housing situation in the Province of Ontario for the
6 most part is desparate, other than in Ottawa, I
7 would suggest. I gave you the reasons why I think,
8 in part, the Ottawa situation is different at a
9 1.5 vacancy rate.

10 I think for the most part, and I think
11 that is why we are moving our operation partly to
12 Toronto, because there is a tremendous shortage at
13 all levels. By preventing new housing for the more
14 affluent, which is all we can do today, you are
15 really preventing the poor from moving up the ladder
16 in their rental housing. That is traditional how
17 the poor moved up. I think some of us can remember
18 that from personal experience. If you cut off the
19 stream of new housing at whatever level, and all we
20 can produce is at the middle and upper levels today,
21 then you've really, whether you want to realize it
22 or not, whether you really want to examine your
23 political preferences, you really are hurting the
24 very people I think most of you really want to help,
25 and that is the people who cannot afford middle
and upper income housing.

I strongly support the bill, hope-
fully as amended, because being a realist it is the



1 best we can do and we need it to keep on building new
2 housing for people.

3 MR. GORDON: How much will the market
4 rents be in your new project here in Ottawa?

5 MR. GREENBERG: Well, the market
6 rents here for the more affordable, we brought in
7 some apartments -- I only gave you a couple of small
8 ones, but there are some apartments start as low as,
9 one-bedroom apartments, from \$450.00 and it goes up
10 to \$1,000.00. We haven't set the price limits for
11 Metropolitan Toronto because we are still in the
12 design stages, but perhaps I will get the Minister
13 and other Members from Toronto to help us set them
14 when we start them. I am sure we will work out
15 fair and equitable prices.

16 MR. GORDON: Those are not subsidized?

17 MR. GREENBERG: No.

18 MR. GORDON: You are talking about
19 \$400.00 a month for one bedroom ---

20 MR. GREENBERG: No, these are not
21 subsidized. They are subsidized by Minto, I guess.

22 MR. GORDON: How many square feet
23 in this ---

24 MR. GREENBERG: They would be, I
25 would say, roughly around 650 square feet. Six
hundred. Well, at least 650, I think. I never was
too good at mathematics. No, seriously, they are
good apartments. They are in suburban areas, part



1 of "for sale" communities. It can be done. It's
2 not easy but it's not that difficult either because
3 with a lot of knowledge or building, and a good
4 efficient building organization and marketing team,
5 it can be done. It's not easy, but it's done. I am
6 living proof that it is done.

7 THE CHAIRMAN: Thank you, Mr. Gordon.
8 Ms. Gigantes?

9 MS. GIGANTES: I will try and be very
10 brief, although this witness is an old friend of
11 mine and he always inspires me to think of a million
12 things I would like to talk about. However, I will
13 not take up his time because of the other people
14 here, but we will have a long discussion, as before,
15 at another time.

16 You said you made a modest, I think
17 you said a modest but reasonable return on new
18 rental investments over the last several years. When
19 you have done that you have been able to re-invest,
20 on that basis.

21 MR. GREENBERG: Well, if I could
22 clarify ---

23 MS. GIGANTES: Why couldn't any other
24 builder do that?

25 MR. GREENBERG: Well, perhaps -- you
know, words are always unclear no matter how clear
one tries to make them. When I said we made a
modest return, we haven't made it yet. We are



1 intending as time goes on -- basically, I think, to
2 a large degree, most of the new housing -- and we
3 did not do much housing from 1976 to 1980, we did
4 a few but very little, but as I said earlier a lot
5 of the legislation of 1976/'76 was directed to the
6 Toronto situation. A very important feature that
7 we had in Ottawa was a lot of two and three-year
8 leases at the time. So when the six or eight per-
9 cent was put in we didn't get increases for two or
10 three years and we just stopped the building rental,
11 I think it was generally recognized, for three or
12 four years. Until we got through these leases and
the flow of funds began again.

13 So I think what I am saying here is
14 that we have, perhaps, a different view than most
15 other builders. We have a five to ten-year time
16 frame before we expect the investment to become
17 profitable. Since I am probably going to work
18 until I am about 100, this is a good scheme. But
19 for most people who are just in and out of the
20 market it doesn't work, but for us it works. So
21 when I say they are modestly profitable, I can
22 assure you I am not taking a pencil and paper and
23 working it out. I know that there has been no
24 return on them yet but I would hope that in the
25 next two years there will be. They are good
properties located in good areas, well constructed,
and like all investments they take a bit of time to



1 mature. But as we know, this is all coming under
2 new legislation. The Liberals ran on the platform,
3 as we all know or some of us knew at the time, so
4 you can't criticize them. That was part of the
5 platform. Of course, the NDP, I wasn't reading
6 their platform so I can't say.

7 But seriously, what I am saying is
8 that it is a long term situation. That is why I
9 think most people, for whatever reason, they don't
10 want to be in it for the long term. They would
11 rather take their money and put it into easier
12 places. However one wants to say it, it is more
13 difficult for most people to be in the housing
14 business. Most investors and financial institutions
15 don't want to come out and talk to the people. They
16 have their reasons for wanting to invest in other
17 things.

18 MS. GIGANTES: What you are saying,
19 in a sense, is that the renter in today's housing
20 market is in competition with the commercial renter
21 as far as building is concerned, and the person who
22 had been getting the investment is the commercial
23 builder?

24 MR. GREENBERG: Yes, ever since
25 1975/'76, I don't want to mention any specific
companies, but we know most of the major companies
have left and are either building this, that or the
other thing, whether in Canada or the United States.



1 Or elsewhere even. So the financial markets, they
2 tend to shy away from uncertainty and they shy away
3 from publicity and there is only a few brave souls
4 -- and I am not exaggerating a bit -- that are
5 willing to take it on, all the extra problems,
6 because we feel it was worth it. Not only in mone-
7 tary terms but in our own way, and I think in Ottawa
8 it is the case, that Minto has provided a great
9 public service.

10 Do I hear any applause back there?

11 MS. GIGANTES: When you talk about
12 rent controls and how other controls in the economy
13 were lifted, you on the one hand talked about it
14 as rent control and in other parts of your presen-
15 tation you talked about it as rent review. You
16 have used rent review legislation.

17 MR. GREENBERG: Not often.

18 MS. GIGANTES: You have not shied
19 away from using it?

20 MR. GREENBERG: To my knowledge, we
21 have only used it once, I think in 1982/'83, and
22 perhaps once before. I have forgotten. Yes, I
23 think in the late 1970's, I am sure, but I just
24 can't recall the details. But we haven't used it
25 very often, for whatever reason, and I am not sure.
I guess our buildings were well built, well main-
tained, and I think that has a lot to do with
keeping the costs reasonable.



1 MS. GIGANTES: Would it surprise you
2 to look at figures from 1982 in Ottawa-Carleton and
3 learn that 25 percent of the rental units in
4 Ottawa-Carleton had gone through rent review in that
5 year?

6 MR. GREENBERG: Well, it was a big
7 year. I think the Member will remember that we did
8 have a serious problem with inflation in Canada and
9 we were three or four percentage points behind the
10 cost of living.

11 I think that was the year I am
12 talking about. I think we all had to do that. After
13 all, the Hydro Commission, which I believe you were
14 involved in, was raising rates at -- well, I can't
15 even mention the figure because it was so high. I
16 just couldn't absorb it. How can landlords not
17 pass these costs on?

18 Municipal taxes, as all of you know,
19 have risen drastically in the last decade.

20 I think, for the most part, that
21 most of the landlords have done a lot of pre-public
22 service in a sense. Sure, they are making a modest
23 return, but I don't know of any housing authority,
24 public or non-profit, that is bringing in, if you
25 took away the subsidy aspect, that was bringing in
rents anywhere near what private enterprise has been
bringing them in at. I recall some years ago,
a study was made in Metropolitan Toronto and the



1 amount of the subsidy was practically equal to the
2 amount of rent that was being charged.

3 I don't think there are any free
4 solutions to this. It is a problem that has existed
5 in the sense of the poor and affordable housing.
6 It has always been with us. I think all of us
7 attempt, in our own different ways, to come to grips
8 with the issue. I must say I think it is a retro-
9 grade step, a drastic error at this stage of the
10 game, to compound the present rent review problems
11 into new ones. Then there will be no chance of
12 ever helping the very people that I think most of
13 you want to help.

14 THE CHAIRMAN: I am getting a little
15 nervous about the time here. Is there anything
16 else?

17 MS. GIGANTES: Thank you.

18 THE CHAIRMAN: Mr. Hennessey?

19 MR. HENNESSEY: Just very briefly,
20 sir. How many units does your organization control?

21 MR. GREENBERG: Around 12,000.

22 MR. HENNESSEY: What is the lowest
23 rent in your establishments?

24 MR. GREENBERG: Well, the lowest
25 rents I can't say for sure, but I would say around
\$250.00 a month, as a guess. Maybe \$300.00.

MR. HENNESSEY: Have you got any
apartments or homes geared to income?



1 MR. GREENBERG: Yes, limited dividend.
2 Yes, as I said in my remarks, roughly five or six
3 hundred, yes, geared to income. Those are the ones
4 I'm talking about, the low rents. I would say
5 between \$250.00 and \$300.00 for some of them.

6 MR. HENNESSEY: Thank you very much.

7 THE CHAIRMAN: Ms. Smith?

8 MS. SMITH: Yes. You mentioned
9 three further red tape issues that are being put
10 on. I, like you, have read the bill and realize
11 how complicated it is. I think you would agree it
12 is because the subject itself is so complicated,
13 you have houses that have rent controls, some that
14 don't, and so many different things. So any one
15 given landlord for one building it won't be so
16 complicated, you eliminated down to a few of
17 the choices.

18 You mentioned three further red
19 tapes that are added. Looking at you as a land-
20 lord of good reputation, I would think that you
21 would realize that at least two of these will in
22 no way affect you because you already meet with
23 what they represent, and therefore, they are put
24 there in order to control other people who are
25 not meeting your standards. I do not think you
would disagree that landlords should not meet a
standard of upkeep which is the Standards Board?

MR. GREENBERG: Well, that is true.



1 I was speaking there from an industry wide basis as
2 much as anything.

3 MS. SMITH: So that is really to
4 control abuse?

5 MR. GREENBERG: Yes.

6 MS. SMITH: The Rent Registry is the
7 same. If everyone were being fair in rent review,
8 then you would not need a Rent Registry. So it is
9 really not going to affect someone like you. It is
going to affect the abusers?

10 MR. GREENBERG: Right. I think I
11 covered that in my summation, but you are quite
12 right.

13 MS. SMITH: The other one you
14 mentioned was cost no longer borne. I think the
15 concept there is that if you are given a rent
16 increase to pay for something, once it is paid for
17 you should, or the renter, should stop having to
18 pay for it. I would think in your own cost
19 accounting and in your construction company that if
20 you get in a situation where costs are no longer
borne on the job, you remove those from the costing
of that job?

21 MR. GREENBERG: Yes.

22 MS. SMITH: So I would suggest to you
23 that these three extra things all represent an
24 effort to make things fairer?

25 MR. GREENBERG: Well, I think that is



1 the case, but I would add that on certain occasions,
2 I think some of these issues will be brought up
3 against Minto, I think unfairly, but human nature
4 being what it is, I think people will, some people
5 will try to use whatever means they can to justify
6 their case, even if there case is a very weak one.
7 I think that for the most part your remarks are
8 true but I think the people who operate Minto, and
9 I must confess I don't spend all my time on the
10 rent, we do a number of other things such as
11 creating new housing for sale and some of the
12 commercial things, and I must have a bit of spare
13 time to spend with my family. But seriously, I am
14 saying that even in Minto's case, I think there will
15 be problems. The people who have to carry out a
16 lot of the things at Minto, I am sure they will be
17 subject, probably more than I will, and, you know,
18 the people who work in the development industry,
19 I think it is quite a burden for them sometimes to
20 take the kind of criticism which unfortunately they
21 do get from time to time, however justified.

22 THE CHAIRMAN: Thank you, Ms. Smith.

23 Mr. Greenberg, thank you very much
24 for making a very interesting presentation to the
25 committee. We appreciate it.

MR. GREENBERG: Thank you, Mr.
Chairman.

THE CHAIRMAN: The next presentation



1 is from the Cornwall Rental Property Owners'
2 Association. Is Mr. Bernie Lalonde here?

3 I understand that you are Mr. Pope;
4 correct?

5 MR. POPE: Correct.

6 THE CHAIRMAN: Welcome to the
7 committee, proceed as you will.

8 MR. POPE: Thank you.

9 Mr. Chairman, Honourable Mr. Curling,
10 ladies and gentleman, my name is Nicholas Pope. I
11 am employed in the Property Management Division of
12 a large company based in Ottawa. I also have a
13 small management company which controls a six-plex
14 owned by my family. Personally I have an interest
15 in two duplexes, one in which I reside. Therefore,
16 I have some background in the real estate area of
17 small and large residential buildings. In spite of
18 all that, I believe that I have a keen social
19 conscience.

20 I was not assigned a slot for these
21 hearings, but Mr. Lalonde of Cornwall is unable to
22 make his presentation this afternoon and I have
23 been asked by him to make mention of a few items.
24 You may address me with some scepticism. After all,
25 I am quite young and have only been in property
management as an apprentice for two-and-a-half years.
As a matter of fact, you are probably more familiar
with the issues than I. However, I have borrowed a



1 lot of money and have put all my savings into one
2 venture. I have confidence in real estate and I
3 hope to continue to invest for a long time. No,
4 I do not have illusions of building empires like
5 Skalbania or Pocklington, but I do believe that if
6 I am a good landlord, keep my tenants happy, that
7 somewhere down the road I will have secured a
8 decent future, an income, and maybe a pension plan
9 for my wife and I.

10 My dream is not unique. Like many
11 real estate hobbyists, I have been attracted to
12 the real estate market in Ottawa, being a government
13 city, while hoping for a decent growth in value and
14 a fair reward for hard work. Unlike the professional
15 landowners, I don't know what my internal rate of
16 return is or my after-tax return for my duplexes.
17 As a matter of fact, I don't even know the formulas.
18 All I know is the revenue, minus expenses, minus
19 debt service, should be greater than or equal to
20 zero. I don't expect to make a great annual profit
21 but I shouldn't lose money either. My investment
22 decisions are that simple.

23 Again, I stress my situation is not
24 unique. Actually, I am one of the majority, the
25 small landowner. We are in the same predicament
and in the same canoe. It is a big canoe but we
are on the Niagara River heading for the falls.

I have no history or experience to



1 recollect the good old days where there were no
2 rent controls. Professionally, I was born in a
3 working world of rent control and it seems quite
4 normal. I guess those were the days when a person
5 could do his own accounting, collect the rent, fix his
6 property and handle his affairs singlehandedly. In
7 today's world, you need engineers, architects,
8 lawyers and accountants just to get by. For
9 example, I have just completed a simple Residential
10 Tenancy Form 22A and a Cost Revenue Statement and it
11 took me approximately 30 hours for that six-plex
12 and I have done several. No wonder, when the small
13 landowner faces for the first time this headache,
14 to fix a roof or get the additional five percent
15 rental increase to maintain his property adequately,
16 no wonder that they opt out and sell their property
17 and buy Bell Telephone stock. There goes our best
18 kind of landowner, the one who wants to maintain
19 his property.

20 I have come to realize that rent
21 control erodes profits, rent control removes
22 competition, and provides no incentive to maintain
23 the property. I am told that rent control was
24 brought in to prevent inflationary rents, this in
25 order to protect the ten percent but which ended
up affecting all 60 percent of the population which
are renters. As it turned out, it was a cannon used
to kill a fly.



1 You will not be aware of this, but
2 being in property management in today's scenario is
3 about the lowest form of animal life known to man.
4 The tenants are angry, landowners are angry, but
5 they are both justified. Tenants deserve a well-
6 maintained home, they pay fair rent, and landowners
7 deserve a reasonable profit.

8 It is no wonder the real estate
9 amateurs opt out for other investment vehicles like
10 stocks or bonds where returns are reasonable and
11 effortless.

12 The small landowner is an absolutely
13 necessary part of our overall housing picture as
14 they are generally the greatest suppliers of afford-
15 able housing. Faced with the frustration of
16 residential tenancy procedures, it is no wonder
17 that some landlords resort to illegal rent situa-
18 tions.

19 Now, back to my keen social
20 conscience bit. Shortage of affordable housing:
21 When dealing with the issue of affordable housing,
22 we must recognize the very first premise. In
23 Canada, Canadians believe everyone has a right to
24 have a place they can call their home and that they
25 can afford. But how badly are people being squeezed
26 at the bottom? In the Ottawa-Carlton Region, like
27 most of the metropolitan cities, there is a chronic
28 shortage of affordable housing.



1 Affordable housing, as I understand
2 it, is 30 percent of gross income. In Ottawa alone,
3 as many as 30,000 people are trying to survive on
4 incomes 40 percent to 50 percent below the poverty
5 line. This means a single individual is trying to
6 make it in some instances on an income of \$5,000.00
7 gross, a couple on \$6,500.00 gross, and a family of
8 four is trying to make a go of it on \$10,000.00 per
9 year gross.

10 Take this family of four. They can
11 afford no more than \$250.00 per month for heated
12 accommodation unless they are subsidized. Ladies
13 and gentlemen, that is one of the reasons soup
14 kitchens are a necessity for some families. Their
15 food budget is spent on paying the rent.

16 So here we are in the nation's
17 capital, one of the most affluent cities in Canada,
18 one of the most affluent countries in the world.
19 Do you realize that each and every single night here
20 as many 1,000 people do not have a home in which to
21 sleep? And many more have no roof over their head.
22 Every winter some people die from exposure or other
23 related sickness due to deplorable living conditions.
24 Sure, there is emergency housing. Emergency housing
25 is acceptable if, and only if, you believe that
 four families should share one kitchen, four families
 should share one bathroom. Or a single family should
 sleep, eat and live in a sleazy motel-type room.



1 Children of these families don't even know where to
2 go to school for the simple reason they don't know
3 where they are going to be day by day.

4 In summary, we need more housing now.
5 Small landlords are being squeezed out of the real
6 estate market. There is a major shortage of afford-
7 able housing for those people who really need it.
8 Builders are reluctant to invest in a no-profit
9 future. It is time we started helping those who
10 really need the help through sufficient affordable
11 housing and the support of Bill 51. Sure, maybe
12 we can survive another half year of rent controls.
13 Sure, maybe we can survive one more year of the
14 Residency Tenancy Commission. But we cannot survive
15 one more year of a shortage of affordable housing.
16 We need to give the builders confidence, confidence
17 to build the type of housing we need. Subsidy,
18 construction, and Bill 51. Let us start to help
19 those who need help now.

20 Thank you.

21 THE CHAIRMAN: Thank you, Mr. Pope,
22 for your presentation. Do you intend to stay in
23 the business?

24 MR POPE: Provided I don't take too
25 much of a loss.

26 THE CHAIRMAN: Even with Bill 51, and
27 I know it is a complex bill and I do not expect
28 everyone to have a real comprehensive understanding



1 of it any more than a lot of us do, but if Bill 51
2 passes, would you stay in the business?

3 MR. POPE: I would try. I don't
4 know, I don't have any guarantees. I don't have
5 any answers. I don't think Bill 51 is the ultimate
6 solution. It is somewhere in that shade of grey.
7 But it is better than what we have now.

8 MR. CORDIANO: You mentioned that
9 you had to go through a process, a very long,
10 arduous process of filling out forms and regulatory
11 calisthenics. You had to go through this -- well,
12 the Residential Tenancy Appeal that you went
13 through and the rent review process.

14 MR. POPE: Correct.

15 MR. CORDIANO: What Bill 51 attempts
16 to do is streamline the process. As the Chairman
17 said, we do not expect everyone to be completely
18 familiar with the bill, but part of the initiative
19 is to streamline the process and make the entire
20 process of rental adjustments less adversarial
21 between the landowner and tenant. I just wanted to
22 throw that out to you for comment on your feelings
23 on whether that will result with 51, whether that
24 will be the effect of Bill 51 in your eyes?

25 MR. POPE: Upon past experience, I
do recognize the fact that the Residential Tenancy
Commission and its procedures are quite complex
for those not exposed to them on a regular basis.



1 Granted, Bill 51 makes an attempt, a solid attempt
2 to streamline the system. However, until personally
3 I try its application as it's designed will I know
4 if it's that much better.

5 MR. CORDIANO: From what you can tell
6 and what you understand from the bill, it does make
7 an effort in that regard and obviously the practical
8 workings we will all have to wait and see, but the
9 effort is being made, that is what I am saying?

10 MR. POPE: Correct.

11 THE CHAIRMAN: Mr. Pope, thank you
12 very much for your presentation.

13 Since we began, we have been joined
14 by another Member, on my far right at the end, Mr.
15 Leo Bernier, the Member from Kenora.

16 We have had a cancellation this
17 afternoon which was in the regular two o'clock slot.
18 Is Mr. Don Robertson here now? He was not scheduled
19 to begin until 2:30. Mr. Robertson from Andrews
20 Brothers Construction.

21 MR. ANDREWS: Mr. Chairman, I am not
22 Don Robertson, I am Ken Andrews.

23 THE CHAIRMAN: Mr. Andrews, welcome
24 to the committee. We have copies of your brief?
25 Oh, we have. If you are ready?

 MR. ANDREWS: Mr. Chairman, committee
 Members, my name is Ken Andrews and I am here today
 to present a brief on behalf of Andrews Brother



Toronto, Ontario

1 Construction Ottawa Limited, builders, owners and
2 managers of 500 rental units in the City of Nepean.
3 We are a member of the Fair Rental Policy Organiza-
4 tion and a member of the Canadian Federation of
5 Independant Businesses.

6 On examination of Bill 51, an Act to
7 provide for the regulation of rents charged for rental
8 units and residential complexes, only then did we
9 realize what dire straits the free enterprise system
10 was in, in the Province of Ontario. If this Act is
11 passed, this government will go down in history for
12 doing more to destroy a very essential industry than
13 your predecessor who applied controls in the first
14 instance under pressure from both Opposition Parties
15 and very vocal tenant groups looking for a free
16 ride.

17 How can any party, let alone all
18 parties, in all honesty, expect the private sector
19 of developers to subsidize this very vocal, over-
20 protected minority segement of society any longer
21 at artificially low rates compared to the market-
22 place? We have carried this burden on our backs for
23 ten years now and our equity under this legislation
24 in place has been reduced by approximately 75 per-
25 cent of the true free market value. We are
hurting. This does not even take into consideration
the affordability to maintain our investment to our
satisfaction and protect our holdings from further



1 deterioration brought on by rent controls.

2 Further, we believe if Bill 51, along
3 with a Rent Registry, is proceeded with it will
4 further result in counterproductive legislation and
5 increase the rent review bureaucracy again. This
6 would cause further stifling of what was once a
7 proud and essential industry in Ontario, operated
8 by a large group of free enterprise small business-
9 men and business women. This legislation, we know,
10 will have the effect of finally pounding into
11 submission this essential industry and remove it
12 from the free enterprise system into a stagnant
13 government-controlled housing authority riddled
14 with counterproductive legislation.

15 We find it incomprehensible how this
16 government, with the rare opportunity of making a
17 fresh start beneficial to all Ontarions, would
18 follow in the footsteps of their predecessors by
19 compounding their mistakes and being led down the
20 proverbial garden path by the very vocal minority
21 tenant groups mentioned above. These groups are
22 not paying their rightful share towards the economy
23 of this province, yet are becoming more militant
24 by the month. They must be turned around to save
25 what is left of this extremely essential and fragile
industry to the benefit of all Ontarions.

26 Would it not be more constitutional
and economical to the Province of Ontario at large



1 to have the needy only supported through the social
2 system by all Ontarions by way of a shelter allow-
3 ance and removal of rent controls over a two year
4 period? This move would benefit all Ontarions in
5 a number of ways. For example, it would mean the
6 survival of an essential industry saved from
7 oblivion; new rental accommodation would be built
8 immediately by the private sector; the employment
9 of many thousands of men and women directly and
10 indirectly through all the spin-off jobs that would
11 become available through this stimulation of our
12 industry and take the citizens off the unemployment
13 roles that the majority feel is beneath their
14 dignity; investors across the land would hail this
15 legislation as the most positive step made by any
16 government probably for the last ten years, and
17 re-invest in Ontario's economy immediately.

18 Another very constructive move the
19 governing bodies could promote is to take advantage
20 of the opportunity now to help salvage the industry.
21 Something positive and spectacular could be accom-
22 plished by dismantling the rent review bureaucracy
23 now in place and going nowhere but into further
24 regression, and convert into a constructive body
25 responsible for the affordable housing as required
by the segment of our society requiring the
assistance, in place of tenants en masse as is the
legislation now in place. This only results in our



1 segment of the private sector being required to carry
2 the load. We believe that the only solution to this
3 very destructive dilemma is to call for an all party
4 hands off agreement.

5 All parties professed at election
6 time to be believers and supporters of small business
7 and the free enterprise system, of which landlords
8 comprise a very large part. We feel, after being
9 abused almost to the point of annihilation with
10 destructive legislation aimed at our industry over
11 the past ten years, that all parties should be
12 challenged over this commitment. It should be
13 noted, believe it or not, that we as landlords
14 are part of the small business free enterprise group
15 that are responsible for the employment of over 90
16 percent of the men and women in the Province of
17 Ontario.

18 Further, we are not asking the
19 governing bodies for anything for our industry, but
20 rather to undo the destructive non-productive
21 legislation now in place. This will cost the
22 province nothing but will save and make multi-
23 millions to the benefit of all taxpayers in Ontario.

24 In closing, we would like to present
25 briefly the background of our development operation
which was started in 1948 and built from zero into
the proprietorship of approximately 500 units by
1970, through a lot of trial/error and without



1 government intervention. We question the possibility
2 of future generations being able to accomplish the
3 same success with all the erosion and deterioration
4 of our free enterprise system that has taken over
5 throughout the past decade. But believe me, we are
6 deeply concerned, being fourth generation Canadians,
7 where we have invested our time and money under the
8 vulnerable and whimsical circumstances now prevailing
9 over our investments.

10 We appreciate the opportunity to
11 express our views and trust they will be helpful in
12 returning our industry to the private sector and
13 free enterprise system. Thank you.

14 THE CHAIRMAN: Thank you, Mr. Andrews.
15 I assume from your brief that you would like to see
16 a rental means test. Is that what I read into your
17 brief?

18 MR. ANDREWS: Beg your pardon?

19 THE CHAIRMAN: Do I understand
20 correctly that you would like to see a means test
21 for the paying of rents so that you can determine
22 who would have a shelter allowance?

23 MR. ANDREWS: Yes, I believe that
24 would be a viable alternative.

25 THE CHAIRMAN: Any questions by
Members of the committee? Mr. Bernier?

MR. BERNIER: Sir, can you tell us a
little bit about your company, the size of the



1 company, the number of employees, and how many
2 residential units have you constructed in the last
3 ten years?

4 MR. ANDREWS: I am one of the owner's
5 sons and I am not intimately familiar with all of
6 the workings of the company.

7 MR. BERNIER: Just a general idea.

8 MR. ANDREWS: I believe all of the
9 units that they have presently were constructed
10 before 1970, and so they have 500 units now.

11 MR. BERNIER: Nothing built in the
12 last ten years?

13 MR. ANDREWS: No, sir.

14 MR. BERNIER: Would you build anything
15 under this bill or is that too direct?

16 MR. ANDREWS: Under this bill, we see
17 this bill possibly as a temporary stopgap between
18 complete -- what is in place now and the complete
19 dismantling of rent controls. It's better than
20 it was. I don't know, I have to think about it
21 and have a little further look at the bill to see
22 exactly what the implications will be.

23 MR. BERNIER: Thank you.

24 THE CHAIRMAN: Thank you, Mr. Bernier.
25 Ms. Gigantes?

MS. GIGANTES: What share of your
income do you pay for your shelter?

MR. ANDREWS: I am presently building



1 a house and so I'm not, at the present time, sure
2 what the final outcome will be.

3 MS. GIGANTES: What would you guess?
4 What was it before you started this recent building?

5 MR. ANDREWS: It would be, I would
6 say, approximately 25, 30 percent.

7 MS. GIGANTES: And you are aware that
8 the thousands of families and thousands of single
9 individuals in Ottawa-Carleton, the portion of
10 income that is spent on rent is 40, 50, 60 percent
11 range?

12 MR. ANDREWS: Yes.

13 MS. GIGANTES: You say that you are not
14 intimately involved with the day to day operations of
15 your father's company. Are you aware of whether your
16 father or his company have had to pay back illegal
17 rents?

18 MR. ANDREWS: I couldn't tell you,
19 really. I am not that familiar with the day-to-day
20 workings of the company.

21 MS. GIGANTES: Thank you.

22 THE CHAIRMAN: I wondered one thing.
23 You said in your brief at the very beginning, you
24 talk about rent controls and you are saying your
25 equity with this legislation in place has been
reduced by 75 percent of the true free market
value. I don't understand that.

MR. ANDREWS: Well, as I say, I am



1 not completely familiar with the day-to-day opera-
2 tions of the company but I know that when the rent
3 control legislation came in, the particular units
4 are located on Baseline Road and it was under
5 expansion at the time and their vacancy rate at that
6 time was extremely low -- or extremely high. They
7 have spent the past ten years under this legislation
8 trying to recoup what they would have received had
9 they had the -- had the units been under the
10 free enterprise system and had a full vacancy at
11 that time. They were, I believe, you know, offering
12 extremely low rates and got caught with the control
13 legislation in place and have been trying to recoup
these losses over the ten year period.

14 THE CHAIRMAN: Were not these units
15 built before 1975 and therefore exempt from rent
controls?

16 MS. GIGANTES: You have it backwards.

17 THE CHAIRMAN: I am sorry, they
18 were built before -- or after 1975, you are right.
19 I had it backwards. They were built when?

20 MR. ANDREWS: I am again not all
21 that familiar with the exact dates but I am sure
22 they were under, they came under the controls
anyways.

23 THE CHAIRMAN: So they were built
24 before 1975?

25 MR. ANDREWS: Yes, I assume.



1 THE CHAIRMAN: Any other questions
2 from the committee?

3 If not, Mr. Andrews, thank you very
4 much for your presentation to the committee.

5 MR. ANDREWS: Thank you.

6 THE CHAIRMAN: The next presentation
7 is from Mr. Overtveld.

8 MR. JACKSON: Mr. Chairman, can I
9 raise a question?

10 THE CHAIRMAN: I am sorry. Mr. Overt-
11 veld, if you would just go ahead and sit down, we
12 will sort out what Mr. Jackson was about to raise.

13 MR. JACKSON: I am a little
14 concerned about the second last question that Mrs.
15 Gigantes raised with respect to inquiring from
16 deputantes if they were in the practice of
17 charging illegal rents, or if, in fact, they had
18 ever refunded them. That is an interesting line
19 of questioning that so far, in all our public
20 hearings, we have not ventured into. Given that
21 Ms. Gigantes is new to the committee I wonder if
22 the Chairman allowing that question to stand is,
23 in fact, suggesting that we proceed in those areas.
24 I, to date, have not felt it necessary, should we
25 look at the other end of the spectrum, to ask
tenants if they had ever been late with a payment
or refused payment or damaged a property willfully.
I just find that line of questioning on either side



1 of the spectrum to be inappropriate and unnecessary
2 to our work.

3 Given that you did not caution the
4 questioner, I would like your ruling on whether
5 that is fair game for this committee. I just did
6 not feel that it was necessary for us to be getting
7 into those kinds of areas.

8 I would also like to point out on
9 behalf of Mr. Andrews that his answer in no way is
10 an indication there may have been illegal rents
11 charged by his family firm, and he should certainly
12 not leave this hearing with the thought that he
13 may perhaps have left that impression.

14 THE CHAIRMAN: You raise a legitimate
15 point. While I did not interfere with the question,
16 I must confess it did make me nervous. I think
17 that I would want to discourage members of the
18 committee from probing illegalities in which anyone
19 might have been engaged, when they appear before
20 the committee.

21 MR. JACKSON: These are allegations,
22 Mr. Chairman, not probing. Even you, yourself,
23 are implying they exist by your response. They are
24 allegations when we pose them in that form of a
25 question and I just feel it would be helpful if we
avoided it. It is unbecoming to us, quite frankly.

THE CHAIRMAN: All right. Am I
pronouncing your name correctly, Mr. Overtveld?



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MR. OVERTVELD: Correct, sir.

THE CHAIRMAN: All right. Would you proceed, please?

MR. OVERTVELD: Mr. Chairman, Honourable Minister, Members of the Committee, ladies and gentlemen. It is not my wish to reveal my private real estate history in public. I do so here only to relate my typical account as a long term owner-manager to that of a much broader class of working investors. I consider it my duty to impress upon you the crucially important role the long term committed owner-manager plays in providing and maintaining the largest part of residential accommodation in Ontario.

As policy and lawmakers, you will be well advised to immediately implement measures to retain this class of shelter provider. If they leave, no institution, private or government, can take their place without the need for massive public spending the likes of which have never occurred in Ontario's history.

With all of the other sectors of the economy veering towards de-regulation, such spending will become fiscally and politically impossible. The absence of small landlords and the lack of funding will deteriorate the rental accommodation situation very seriously and very rapidly. Tenants will clearly see this accelerated



1 erosion of affordable accommodation and the solution
2 to the problem as the responsibility of the current
3 government.

4 Bill 51, in its present form, has
5 some merit in that it starts to introduce the idea
6 of rate of return, as is customary in utilities
7 regulation, so that the true cost of operation and
8 investment becomes reflected in the rents charged,
9 in the post-1976 and new construction sector. If
10 there must be regulation, then this would be an
11 improvement over existing regulation. For the
12 pre-1976 building sector, the intolerable idea of
13 taking a snapshot of the 1976 market and trying
14 to extend that into 1986 and beyond is still in
15 force. Although there are some complex measures
16 that provide for consideration of depressed rents
17 or increased costs, I caution you categorically
18 that the complexity and inequity coupled with the
19 time delay will result in the departure of the
20 long term owner-manager from the rental scene.
21 Some 50,000 units will be immediately jeopardized
22 in the first year alone.

23 A life belt measure is needed as an
24 immediate interim measure for owner-managers of
25 pre-1976 buildings to stem the present trickle
from becoming a flood of departures. As long term
owners jump ship, their buildings will fall into
the hands of short term interests whose actions



1 will draw the government more and more into stopgap
2 regulations requiring massive public spending.
3 Inefficiencies of centralization will be further
4 imposed on what of necessity has been a highly
5 decentralized activity. In short, the inevitable
6 will occur, chaotic affects on tenants by rental
7 mismanagement despite more and more regulation, and
8 demand for massive public spending. You have
9 already had some taste of that in the past.

10 To prevent this from happening, a
11 minimum rent based on a standard approach to
12 reconstruction costs, widely used in the insurance
13 industry, is proposed to be incorporated as an
14 amendment to the proposed legislation as special
15 consideration for pre-1976 buildings. This is to
16 be an interim measure. Such a measure is simple to
17 administer and would go a long way to retain the
18 long term owner manager in his crucial role as the
19 most efficient provider. The measure also forms
20 a temporary bridge between existing legislation and
21 the introduction of rate of return. A certain
22 fairness, as compared to what now exists, is
23 achieved for both shelter users and shelter
24 providers. That is actually a summary of the
25 speech.

In the early 1950's, I emmigrated
to Canada from the Netherlands. During my former
career as a merchant navy officer I learned English



1 and had a solid education and experience in radar
2 technology. This combination earned me a permanent
3 position with a large telecommunications firm in
4 Belleville, Ontario. In that organization, I moved
5 over the following 20 years from production into
6 design and engineering, and ultimately into corporate
7 business planning. I was transferred to Ottawa in
8 1968. Along the way, I obtained Canadian qualifica-
9 tions. Studying largely on my own, I passed all the
10 entrance requirements for membership in the Ontario
11 Professional Engineering Association while employed
12 full time. Sorry about all that.

12 During my career in the telecommuni-
13 cations industry, I acquired 15 patents in my name
14 and launched several new products. By 1968, I had
15 also reached the magic age of 40 which, in the world
16 of complex technology, is akin to a hockey player
17 at age 40, meaning there are plenty of younger ones
18 around. Furthermore, the firm I worked for was
19 expanding into the U.S., becoming more and more of
20 an international organization, and changed its
21 name and corporate structure as well as its personnel
22 policies. For me it became more and more obvious
23 that career advancement would, at best, mean moving
24 to Montreal, Toronto or Los Angeles, or at worst,
25 the same fate would befall me as many of my contem-
poraries, that of the prospect of being de-hired.
Either of which would mean giving up the community



1 in which I had become established.

2 That, for the sake of dubious career
3 advancement or job retention, I was not willing to
4 do. I changed employment in Ottawa to the Federal
5 government where my industrial experience became
6 of value in the regulatory and policy areas of
7 telecommunications in Canada. This was not done
8 without financial loss. The pension plan from my
9 previous employer, which I had contributed to for
10 over 20 years, was not transferrable and was only
11 payable at age 75. It probably would provide a
12 loaf of bread each month considering the rate of
13 inflation. My pension plan with the Federal
14 government would never accumulate into an adequate
15 income at old age.

16 Thus I used my big business training
17 to analyse small business personal opportunities.
18 I read books, followed courses, and investigated
19 hundreds of so-called opportunities. I discarded
20 pyramid schemes, laundromats and fast food
21 franchises because these ventures demanded either
22 full time involvement or were too risky to wager
23 the family's savings. This eventually led to
24 evaluating older residential real estate. As a
25 spare time venture, it offered a number of attractive features. You could start small and operate part-time; ownership was very widespread, localized and private financing was available. Entry into



1 the business, at least in the smaller older build-
2 ings, could be deigned due to the continual pressing
3 need for updating or upgrading the state of forever
4 deteriorating properties. I must make an immediate
5 distinction between updating and renovation.

6 It was still fresh in my mind that
7 my hard won technical experience in patents had
8 somehow lost their value to my old employer. I
9 happily observed that in the building industry
10 rapid changes in technology or low cost offshore
11 mass production were not likely to affect market
12 values. It is uneconomical to import buildings and
13 basements from Taiwan. Such factors encouraged
14 me further, but above all I saw once more for myself
15 a useful role in society, that of providing shelter
16 in the older building sector. What I needed were
17 the clues for a strategy to start with little
18 capital resources but with a lot of willingness to
19 work to get off the ground and secure an income
20 in the future. In other words, to become a typical
21 long-term investor.

22 In the world of trading older
23 residential real estate, a curious axiom exists:
24 All buildings are created financially equal. That
25 manifests itself as follows. If you take the gross
rents, subtract operational costs and maximum
obtainable financing costs, then the net cash flow
or operating income is zero. To obtain net cash



1 flow, you have to put money in and you get a return
2 a little better than the bank. Herein lies the
3 first clue. Since risk of investment is not commen-
4 surate with return, institutions don't buy the
5 older buildings unless completely renovated. It is
6 too risky. They leave them to individual direct
7 investors. I would have to start with an old
8 building. But older buildings are far from constant
9 entities in the physical sense, nor are those who
10 live in them, and it takes real skill, stamina, and
11 every day attention to maintain and run them over a
12 long period of time.

Buyers of old buildings beware.

12 Roofs will leak, sinks get plugged up, floor tiles
13 get broken, wallpaper bleaches, lights burn out,
14 oil furnaces need to be converted to gas, insulation
15 needs to be added to walls, plaster ceilings fall
16 down, sidewalks and steps crumble, drunks will
17 sleep in the basement, locks get broken, the front
18 window gets smashed, walls get punched in, storm
19 windows get lost, fire extinguishers get stolen or
20 emptied in the hallway, windows are left open, and
21 the radiators underneath get frozen. This floods
22 the building. Not to speak of doubling interest
23 rates and fire department or city orders which may
24 have been issued. The list goes on and on.

24 This is the reality of life with
25 the smaller older buildings. Lacking the economies



1 scale of the big complexes, such buildings were
2 defacto abandoned long ago by the institutions as
3 viable business ventures. Fortunately, a small
4 select number of institutions are still willing to
5 finance these buildings because they make financial
6 sense only through ownership by individuals who are
7 willing to sacrifice their time and do things no
8 corporation can do. That does not mean that these
9 lenders are not aware of the problems inherent
10 with non-institutional ownership. They know very
11 well that owners are real people, they get old, they
12 can lose interest or ambition, their personal
13 circumstances change, and so on. Again, smart
14 economics takes care of that. Commercial mortgages
15 are customarily refinanced every five years, for
16 even shorter terms today, and if things go awry,
17 the lending institutions do not renew financing
18 and the owner will be forced to sell. The
19 inefficient owners are forced out of the system.

20 Back in the later '60s and early
21 '70s, that is no control and little inflation,
22 rents accurately reflecting the building's state
23 of repairs, hence the realizable sale price of
24 a building. Maximum institutional financing also
25 depended on the state of the building and the
type of personal management. But deterioration is
an ongoing process. Rents in one building could
easily be 30 percent lower than in a similar



1 building in the same neighborhood. Putting this in
2 a much broader sense, rents could be well below
3 the going market in a particular building. Herein,
4 then, was contained my second clue for my invest-
5 ment strategy. Buy such buildings at their current
6 price, work at them every spare minute available,
7 use scarce personal funds to improve operations,
8 and gradually bring the level of rent to that of
9 the going market. Upon renewal of institutional
10 financing, increase the indebtedness and reinvest
11 in the next building that was in need of updating.
12 My objective was to create a long term secure
13 source of income, therefore I kept ownership of
14 such buildings. Flipping was a technique that
15 evolved as a direct response to controls.

14 Over a period of 18 years, I gathered
15 in this manner a modest portfolio of buildings in
16 the downtown area, some of them barely rescued from
17 demolition. This did not come without sacrifice.
18 In one case, I spent every evening for three years
19 making repairs. In another instance, the building
20 required so much attention and money that I sold
21 my nice new town home in the suburbs and lived in
22 one of the apartments for a number of years to
23 supervise the work. Understand, these were not
24 renovations. These activities were updating the
25 apartments, the mechanical facilities of the
building, or meeting Fire Marshall's orders issued



1 against the previous owner that was forced to sell
2 as a consequence of failing health. These
3 activities were carried out on a piecemeal basis
4 when apartments were empty, one at a time, at a
5 rate permitted by personal available funds and time.
6 This is the only way, to my knowledge, that an owner-
7 manager can get off the ground.

8 Funds came for the most part from
9 personal savings and through cost savings from my
10 own labour contribution. As my track record
11 became established, it became easier to obtain
12 money from mortgage institutions, who in turn
13 obtained their funding from depositors of GICs.
14 The increased rental income from the units updated
15 was also a source of funding. In all those years
16 did I ever receive any form of grant or loan from
17 the federal or provincial or municipal levels of
18 government? No, everything was funded from the
19 private sector. My total responsibility was for
20 about 100 units.

21 During those years, I saw government
22 initiatives come and go in the older housing
23 sector. Housing cooperatives required federal
24 money, rehabilitation projects required provincial
25 money. Such initiatives seemed to have three things
in common. They required lots of tax money,
provided exposure needed for politically inclined
individuals, and they did not create a single



1 additional unit at a price competitive with what I
2 could accomplish on my own.

3 This, then, is how I joined the
4 ranks of and still am a typical long-term owner-
5 investor-manager of residential property.

6 Now, I am not giving you this
7 account to garner sympathy. There is a very serious
8 implication in all of this, to which I have already
9 alluded several times, and which soon will have a
10 direct effect on you who are responsible for good
11 government, and which will soon directly affect a
12 majority of tenants and indirectly the pocketbook
13 of all homeowners.

14 My story may be unique but this
15 account of individual effort is still representa-
16 tive of the largest sector of shelter provider,
17 owner-managers coming from all walks of life. We
18 are not a very articulate bunch, not inclined to be
19 organized or politically active, and most of us
20 value our privacy more than the limelight of
21 publicity. Let that not deceive you. Our individual
22 economic response to the proposed legislation will
23 have collective repercussions in the shelter busi-
24 ness which will far outweigh in direct economic
25 consequences the present low vacancy rate or lack
of new construction. Those issues look pale
compared to what is looming ahead.

Permit me a scenario. There are



1 well known statistical facts available from the
2 government and the fair rental policy organization
3 of Ontario which run as follows: 1.1 million
4 rental units in Ontario are grouped as 450,000
5 highrise, 325,000 lowrise, and 325,000 grade level
6 units. To arrive at the number of units in the
7 owner-management category we first exclude the
8 highrises. That leaves 325,000 lowrise and 325,000
9 grade level units. The statistics say that 65 per-
10 cent of all lowrise units are over 50 years old.
11 That fits the owner-manager category. We take
12 70 percent of all lowrise, that is 227,500 units.
13 Not as much is known in the lowrise grouping, but
14 we know that a good deal of those are also owner-
15 manager operated. We estimate that around
16 550,000 units, or well over half of all rental
17 housing, is owner-manager operated. This can be
18 further corroborated by quoting from the FRPO's
19 brief to this same committee where it said the
20 bulk of Ontario's landlords are small investors,
21 owning one to ten units.

22 Thus, over one-half of all rental
23 units are old units, if you can believe my figures,
24 the ones that can only be run economically by
25 owner-managers, the ones that private institutions
for that reason gave up on long ago, the ones that
are now maintained through daily personal manage-
ment. These are the ones that are continually



1 being updated in a piecemeal fashion out of personal
2 savings and current rents, under direct supervision
3 of the owner-manager as I have already sketched out.
4 These are the ones for which long term financing
5 is only available from a few select institutional
6 lenders who can withhold that privilege quite
7 readily.

8 To put it to you bluntly, Bill 51,
9 as it regards the pre-'76 building category, can be
10 likened to a time bomb which will go off with the
11 first mailings of the Rent Registry by the armchair
12 bureaucrats in Toronto. The full impact of the
13 legislation will dawn upon the owner-managers and
14 the lending institutions. The whole fragile
15 mechanism of personal financing, gradual updating
16 and institutional funding will be torn apart.
17 Owner-managers will leave in droves. In the first
18 year, this could affect 10 percent of the older
19 sector, that is 50,000 units in immediate
20 jeopardy.

21 Without the traditional long term
22 investors as buyers and lacking the support of the
23 financial institutions, these buildings fall in
24 the hands of strictly short term interest who have
25 little to lose and with no intention, nor can they,
of performing the functions of the original class
of owners. They can simply wait out the situation
and let it further deteriorate. There is little



1 that any authority can do about that. Closing down
2 a few buildings does not scare that type of short
3 term investor. The only effect this would have is
4 to exacerbate the overall situation, where more
5 landlords will sell out and more units will be put
6 in jeopardy.

7 There is only one way to retain these
8 orphan units and those short term investors know
9 it: The one-step process of renovation. Only then
10 can they be run by an institution, private or
11 government. The bottom line of this is that the
12 money will have to come from the government this
13 time.

14 By an odd event, I came to own a
15 72-year-old building which could easily be run by
16 an institution. 85 percent of the building was
17 destroyed by fire in 1984 and a tenant was
18 convicted for arson. Much against the advice of
19 my fellow owners, I rebuilt it, possibly for the
20 lowest cost in Ottawa. I supervised my own
21 contractors and was on the premises every day for
22 seven months. The building was out of commission
23 for over a year. The reconstruction was about
24 \$40,000.00 per unit. This provides an idea of the
25 cost the government would be faced with in rehabili-
tating 50,000 units into management accommodations,
or roughly \$2 billion the first year, not counting
the cost of re-housing during renovation. Project-



1 ing this over ten years, the cost would be in the
2 order of \$20 billion. With all other sectors of
3 the economy in Canada varying towards de-regulation,
4 that being energy, transport, financing and trading,
5 such massive financing would be politically and
6 economically impossible, and tenants become the
7 ultimate victims. I propose that in the interest of
8 tenants and their owner-managers and those that
9 look for political longevity, you implement a simple
10 measure to prevent a proposed legislation from
 causing this imminent upheaval.

11 As a professional, formerly engaged
12 in regulatory activities at the federal level, I
13 • can assure you that we always painstakingly try to
14 determine the impact of new measures before
15 implementation. One way is to consult the affected.
16 That was not too difficult where there are only
17 a few providers but it becomes exceedingly difficult
18 where there are a great number of diversified
19 providers, such as in the rental industry. Holding
20 public hearings may not even be a reliable gauge
 to assess the effects.

21 From reading Bill 51, it seems that
22 the bigger developers, who are now involved for the
23 first time in this legislation, have been well
 consulted. Or have been consulted adequately.

24 However, they represent only half the units. It
25 is my position that you have insufficient information



1 on how this new legislation will affect the pre-1976
2 sector, in my opinion, the other most crucial half.
3 If the legislator is obliged to introduce new
4 measures, the outcome or impact of which cannot be
5 accurately predicted, it is wise for he or she
6 to build in an escape hatch or a safety valve to
7 have something in case the thing gets out of control.
8 The measure described here is based on a practice
9 widely used in the building industry. The insurance
10 industry publishes at regular intervals, the cost of
11 construction of apartments, which, in a broad sense,
12 is applicable in all parts of Canada. It is used to
13 establish an insurance claim for old and new build-
14 ings. Tables are available for various types of
15 construction, location and appreciation. This data
16 is used in the courts for evidence in the industry
17 and I cannot see why it could not be equally useful
18 in controlling rents if that must be. In particular,
19 I propose that these diagrams be used to assure the
20 pre-'76 sector a fair legal minimum rent. A fair
21 and equitable minimum rent for any apartment in
22 Ontario could be based on one percent of the replace-
23 ment value as determined from these tables, and the
24 land value. This rent would be used as an optional
25 alternative to the complex and unfair projection
of a snapshot 1975 market picture into the '80s
method which was based on temporary legislation
hastily drafted in 1975 and arbitrarily administered



1 since then. This minimal floor rent to be used as
2 an option where rents derived by the 1976 projection
3 method are of a lesser amount.

4 No changes in Bill 51 are required
5 other than an amendment to the determination of
6 maximum legal rent section. This could read as
7 follows, the amendment that is:

8 "The landlord has the option to have
9 legal rents determined by the reconstruction cost
10 value calculation for purposes of registration."

11 That means that all other sections
12 of Bill 51 apply, those of gradually scaling
13 increasing rents over a period of time to reach
14 legal rents.

15 Another stipulation could be that
16 no application for a rent increase would be possible
17 until three years had elapsed after this option
18 was chosen. The reasoning behind this is to reduce
19 the number of applications and prevent clogging of
20 the system which would surely occur if Bill 51 were
21 applied as is. This allows the Rent Review process
22 to deal with major cases only, basically policy
23 cases, thus speeding up the process. One would
24 expect that most smaller landlords would take that
25 option rather than immediately applying for rent
review after registration and waiting in a long cue
for a hearing.

The reconstruction cost value, or



1 RCV, has to be clearly defined as not to be specific
2 for any particular apartment. Rather, it is a
3 regional figure based on square footage of the unit
4 and broad geographical location. For example, two
5 units of the same size and the same area, one having
6 glass-in-lead windows and a jacuzzi-equipped bath-
7 room would yeild the same RCV. It is unlikely that
8 the landlord would change the RCV option in the
9 latter case anyway; the calculated rent as per
10 legislation based on 1975 would be well above the
11 rent calculated using RCV. The RCV would be
12 calculated for the date the registry becomes legally
13 applicable. This measure is a lifebelt to provide
14 immediate relief to the distress situation owner-
15 managers will face, and to keep them on the farm
16 while streamlining the process of regulation.

17 Finally, from a regulatory point of
18 view, the RCV method resembles more closely real
19 regulation as used in other areas of the economy.
20 The method is a good transition to a responsible
21 rate of return regulation, a moral obligation the
22 government undertook when it decided to replace a
23 natural market driven rental housing economy by a
24 stringently government regulated one on a permanent
25 basis.

26 The reference I refer to is the
27 BOECKH Building Cost Guide.

28 Thank you very much.



1 THE CHAIRMAN: Thank you, Mr. Overt-
2 veld. You obviously did a lot of work on your brief.
3 Any questions by Members of the committee?

4 MS. GIGANTES: I wonder if you can
5 explain to me, I do not think I have got a handle
6 on what you are proposing. You are proposing that
7 apartment units which existed before 1976, and
8 which were originally brought under rent review with
9 the original bill in 1976, would now have their
10 rent determined on the basis of how much it would
11 cost to reconstruct those building?

12 MR. OVERTVELD: One of the problems
13 that is in the pre-'76 market is to relate -- there
14 is a market picture that was taken in 1975 and
15 through all kinds of process we tried to forecast it
16 in 1986. I am looking for a standard value that
17 can be used. Now, I would not propose that this
18 measure be used across the board. I would only
19 propose it, for instance, in those cases where
20 there was a hardship. So that the landlord would
21 have the alternative of using that compared to an
22 unreasonable, very low rent that might very well
23 come out of the registry and the process of the
24 registry. That is my answer to that question.

25 MS. GIGANTES: Have you used rent
review yourself as a ---

MR. OVERTVELD: I have been through
rent reviews many years ago.



1 MS. GIGANTES: And your most recent
2 experience would be when?

3 MR. OVERTVELD: Oh, it was quite
4 some time ago. 1976, 1977.

5 MS. GIGANTES: Why haven't you used
6 it?

7 MR. OVERTVELD: Well, I haven't used
8 it because I simply found that my rents were
9 adequate at the time.

10 MS. GIGANTES: They were adequate
11 last year?

12 MR. OVERTVELD: Pardon?

13 MS. GIGANTES: They were adequate
14 last year?

15 MR. OVERTVELD: Well, the rents as
16 they are in the long term are not going to be
17 adequate. But the process of rent review is a
18 very lengthy, upsetting process for somebody with
19 very few small units, even somebody who is fairly
20 professional, such as myself. Therefore, I think
21 I do what most other landlords do, we try to
22 avoid it as much as possible.

23 MS. GIGANTES: You talk about yourself
24 as a long term landlord and you have described some
25 of your work experience to us. Are you now solely
engaged in terms of ---

MR. OVERTVELD: Since 1984, that is
the only way of making a living, yes. Before that,



1 I was always a full time employee.

2 MS. GIGANTES: But you will have time
3 now, surely, to go through a rent review process if
4 that turns out to be necessary?

5 MR. OVERTVELD: Yes, but even so, I
6 find that, just looking after that number of units
7 is quite a time consuming process. It is not
8 something like a job.

9 MS. GIGANTES: I understand.

10 MR. OVERTVELD: Going through this
11 exercise is time consuming and it is -- even myself,
12 being fairly good administratively inclined, I find
13 that this can be very time consuming. Certainly, it
14 was in the 1977 time when I was more active in this.

15 MS. GIGANTES: I am sure that is true
16 but it might be worth your while economically.

17 MR. OVERTVELD: That is a difficult
18 one to answer, especially from the place where I
19 sit. I think, I'm not even sure whether I have
20 this, you know, I am not the -- I'm a typical
21 landlord in a sense but in another sense I am not.
22 I have some professional training.

23 I think, as a small landlord, you
24 don't see a direct result -- in other words, you
25 feel that you have to be exposed to a long process,
exposure to public exposure for that matter, that
you probably just don't bother. You just don't do
it. I think that is the attitude of the majority.



1 That's what I think.

2 MS. GIGANTES: Thank you very much.

3 MR. BERNIER: Mr. Overtveld, I was
4 very impressed with your presentation. Obviously
5 you have done a lot of homework on it. I wonder
6 if you can tell the committee when you became aware
7 of Bill 51? And it was introduced in June, when did
8 you actually become aware of it and how?

9 MR. OVERTVELD: I received a copy
10 through the FRPO, and I received it probably in
11 March or April, somewhere around there. Whenever
12 it was published I got a copy. I didn't read it
13 for quite some time. I took a quick glance through
14 it and then sort of put it aside. I saw immediately,
15 of course, that the area for the pre-1976, there
16 wasn't very much done.

17 I recognized, and as you know, I have
18 a regulatory background, and I recognized the other
19 sector all right. Then I started thinking about
20 this and started realizing what the small landlord
21 did. So I started immediately looking at their
22 importance in the economy. Then I started looking
23 at some of these measures and so forth, and I felt
24 there is probably a calamity coming up.

25 MR. BERNIER: Could I confirm that the
26 proposal you are making here in your brief is a
27 substitution or change to Section 88 of the bill?

28 MR. OVERTVELD: I don't have that



1 thing in front of me. I don't know how Section 88
2 reads. It is an alternative. Basically what I am
3 proposing here is that you use a method which is
4 tracable, which is not judgmental anymore. It is
5 a method that is the closest you can come to the
6 value of the building. I'm not saying it's fair,
7 but I think it would eliminate a lot of administra-
8 tive steps and it would be simply used as a life
9 belt. In other words, this is what you can get,
10 ma'am, if you choose that. It may not even yield
11 a very high rent. I don't think it does. It
12 doesn't take -- it's a relatively simple way of
13 doing it. This here is the reference, by the way.
14 It's widely available and why it was never used in
15 regulatory rents, I don't know.

16 When you first destroy the market
17 and then you are going to project that market from
18 1970 to 1980, to me, that is not regulation. What-
19 ever it is, it's simply like throwing a dart which
20 causes you more and more administrative things.
21 It's probably good for political purposes, but it's
22 not regulation. It's not a rational way of deter-
23 mining what something is worth.

24 MR. BERNIER: Well, you are saying,
25 then, if Bill 51 proceeds as it is today ---

 MR. OVERTVELD: Bill 51 extends the
 old bill basically in the pre-'76 sector into the
 future. That is what it does.



1 MR. BERNIER: The overall bill, but
2 do you see the end of the private owner-manager?

3 MR. OVERTVELD: Oh, yes. You don't
4 have to look very long. I am from Holland and I
5 will give you an example. When I first came to
6 Canada, and this was a very interesting illustration,
7 I didn't know anything about housing or whatever it
8 was. But I talked to new immigrants and one of the
9 things they said to me was, oh, they were adequately
10 housed but one of the things that they couldn't
11 understand was that they paid rent. When they paid
12 rent, that was the fellow that worked for them on
13 the drilling machine. They paid rent to him. In
14 Holland, the only place you pay rent is the
15 Committee for Good Housing or whatever it is. It's
16 either the city or some other organization. There
17 is never a body that you pay it to, it is even
18 taken off your pay if necessary, just like union
19 dues.

20 These people just don't know what
21 private housing is for anymore. I never thought
22 about that, but that is where we are heading and
23 that's certainly where we are going to end up.

24 I'm not saying you don't get good
25 housing that way. I go to Holland and look there
and their housing is very nice. I am neither this
side or that side or whatever it is. I'm just
telling you the facts as I see them.



1 MR. BERNIER: You are aware that
2 France is dismantling their rent controls?

3 MR. OVERTVELD: Oh, yes. France is
4 -- well, dismantling. Yes, I know. In France, yes.
5 In England, they are basically selling off all the
6 public housing. In Holland even, you have a very
7 simple method. It is basically a point system.
8 Everybody knows what the rent is. You go to an
9 accountant and calculate it and that is the legal
10 rent. They probably only have one Rental Commis-
11 sioner in Holland with 50 million people. I don't
12 know, I wouldn't take this as gospel because I
13 really don't know. But I know it is a simple system.

14 In Sweden, I am not sure but I
15 think Sweden is sort of veering towards the other
16 end, too. Personally, I think you probably always
17 need some form of regulation. I would not advocate
18 no regulation, don't kid yourself. I think there
19 is a form of regulation possible that is fair. But
20 it has to be related somehow to the market value
21 and certainly you wouldn't discourage the small
22 fellow who continually keeps a building and
23 supports it, you will never find another one.
24 Never. If you want to destroy it, you just go
25 ahead.

23 MR. CORDIANO: Mr. Overtveld, I see
24 that the first page of your brief states that
25 Bill 51 has some merit in that it recognizes rate



1 of return. What we are hearing is that basically
2 your objection to the bill deals with the amend-
3 ment that you propose on the last page of the brief?

4 MR. OVERTVELD: Yes, sir. The
5 objection is that I am trying to change that section,
6 that pre-1976 section, so there is some escape
7 hatch in there so that these people own these
8 buildings are not blindly thrust in some bureau-
9 cratic way of dealing with them. I could tell you
10 nice stories about the rent review process that
11 I've been through, things that have happened, but
probably I shouldn't do that here because ---

12 MR. CORDIANO: Thanks. I just want
13 to refer to the section in the bill, partly the
14 initiative or what Bill 51 attempts to do is
streamline the process.

15 MR. OVERTVELD: By centralizing.

16 MR. CORDIANO: Instead of going
17 through rent review hearings immediately and the
18 adversarial approach that exists now, there is an
19 administrative process that one would go through
20 where, hopefully, you can arrive at a suitable
21 agreement with the tenants and vice versa about
22 the rents that will be charged and about the
23 number of capital improvements that might be made
over time.

24 I think there is a real attempt to
25 streamline the process and make it more bureau-



1 cratic and less costly to you and inefficient to the
2 system. That is the first thing.

3 The second thing with regard to
4 pre-1976 buildings, there are provisions in Section
5 88 which was alluded to and which deal with
6 chronically depressed rents. I don't know if you
are familiar with the bill ---

7 MR. OVERTVELD: With what?

8 MR. CORDIANO: Chronially depressed
9 rents.

10 MR. OVERTVELD: Yes.

11 MR. CORDIANO: Section 88. That
12 certainly recognizes ---

13 MR. OVERTVELD: But it is not
14 defined what exactly depressed rent is. It is some
bureaucratic measure.

15 MR. CORDIANO: Well, no, it is
16 defined in the bill.

17 MR. OVERTVELD: 20 percent or ten per-
18 cent or whatever that is, but it's still a judgmental
19 area because you have to look at your surrounding
20 area and say, hey, this is 20 percent less. It's
21 still judgmental. It's still somebody sitting in
22 a corner somewhere with a book in his hand giving
23 statistics to the Ministry or whatever and it is
still arbitrary. What I have is not arbitrary.

24 MR. CORDIANO: Well, I think it is an
25 objective measure of what exists in the marketplace.



1 Certainly, we can discuss that a little later if
2 you like. I don't mean to give you a lecture on
3 Section 88. I will leave that to the Ministry
4 officials.

5 MR. OVERTVELD: I get the gist of
6 your question.

7 MR. CORDIANO: But certainly that
8 section, you would agree with me, attempts to deal
9 with some of the things that you are talking about.

10 MR. OVERTVELD: Absolutely, yes.
11 The spirit is okay. The direction is okay. I
12 think the fact it is written down is excellent.
13 But the execution is not there.

14 MR. CORDIANO: All right, thank you.

15 MR. JACKSON: Mr. Chairman, I have
16 a question with respect to the 50,000 units which
17 Mr. Overtveld feels are in some form of jeopardy.

18 I was following your evolutionary
19 imagery in terms of what was about to happen. I
20 lost you where we got to the point where the burden
21 was so severe -- how do we stylize it? You used
22 an expression, the opportunistic landlords moved
23 in towards this older stock. What do you envisage
24 happening?

25 When you say they are in jeopardy,
are they in jeopardy of depreciating rapidly? I
understand the process of just drawing rents out
but there is still financing on it in some form



1 or some equity, and then there is the equity in the
2 land. Do you just allow it to deteriorate until
3 it is declared unfit and then sold for development?
4 I would just like you to explain to me how they are
5 in jeopardy of being removed from the market?

6 MR. OVERTVELD: I can extend the
7 scenario. I know Ms. Gigantes when she says do you
8 look after your building every day? It's a difficult
9 thing to say. I do. But if I really wrote down
10 every day what I did, as business do where you
11 specialize and you have somebody for this, somebody
12 for that and somebody for the other, and you look
13 at the individual owner, he is involved. Even when
14 you walk by, you take your bicycle and you see the
15 building is still there. Oh, yes, the window is
16 left open. This type of thing. Plus you do the
17 administration and people are late with rents and
18 not late with rents and so forth. That is the
19 individual treatment, okay?

20 Now, the next investor, who is much
21 more sophisticated and probably they have money but
22 they can't get it from the financial institutions,
23 and he probably would get -- this owner is giving
24 up, okay? So the next owner who is not an owner of
25 a single building, he probably has a hundred of
them and they just add that one to their collection.
They are an institution and they have no intention
to do anything at all. So they are going to do



1 exactly what is legally necessary. They will not
2 do what the owner has to do.

3 The thing is that -- how shall I say
4 it? When you have an older building it has steam
5 heating or water heating, okay? There is a fellow
6 who regulates the thermostat or they have an auto-
7 matic one. There is somebody there who looks at
8 this all the time. You probably, if an instituion
9 is running it, would probably want to get rid of
10 that heating system and put electrical heating in
11 every one of these units and charge it to the tenant
12 or something like that. For that you need insula-
13 tion. Probably the new investors would probably
14 not do all these things, they would just let it
15 run. The previous owner who has sold it, this is
16 the scenario I can probably predict, he probably
17 sold it with no money down to that next investor.
18 Or he got the mortgage for it or whatever it is.
19 He wanted to get rid of it. So the new institution
20 here has basically not much at stake. There is not
21 much equity from their side in that building. They
22 are not willing to go around and look at these
23 buildings, they are not willing to do all these
24 things that the previous owner did. If the plumbing
25 is not very good they probably don't send anybody
out.

MR. JACKSON: I think maybe you are
tripping onto a new scenario, and that is the



1 reverse of selling a property, that is selling it,
2 mortgaging it and then waiting for the day when you
3 are inevitably going to be in repossession of the
4 property. Then you will come to rent review with
5 a whole new set of numbers with which to apply. It
6 is sort of the process in reverse. The fear of
7 selling ---

8 MR. OVERTVELD: Are we not describing
9 all kinds of situations that are the result of
10 rent control? In other words, if you limit the
11 liberty for someone to sell or convert, you have to
12 weave a network of all kinds of laws and legislation
13 and enforce it. In order for that small portion
14 of the economy to be controlled. I can't see how
15 it works. I know it doesn't work.

16 So the specifics of the scenario and
17 deterioration, basically deterioration is lack of
18 interest. And the inability to maintain it other
19 than by personal efforts.

20 MR. JACKSON: Well, lack of interest
21 is a synonym for lack of profit.

22 MR. OVERTVELD: Yes.

23 MR. JACKSON: I just want to assure
24 you that there are many of us who are concerned
25 about older rental stock which is not being
renovated by institutions, who are getting precious
little subsidy from government to renovate. I am
talking about three-storey walk-ups and eight-plexes



1 and ten-plexes and items like that. You were
2 building a thesis, I thought, that there was a
3 sufficient number of Canadians, or Ontarions in
4 this case, who were involving themselves in doing
5 all that work with their sweat equity as well as
6 other efforts and that this group was on the verge
of exiting the market?

7 MR. OVERTVELD: That is precisely
8 the thesis that I am proposing, yes.

9 MR. JACKSON: Then I wanted to
10 understand what you meant by 50,000 units in
11 jeopardy.

12 I thought you were referring to an
13 experience which we have seen south of the border
14 where the buildings are abandoned with shell
15 financing and so on. But that is not the scenario,
and I wanted you to clarify that.

16 MR. OVERTVELD: No, no.

17 MR. JACKSON: You are just talking
18 about a general deterioration because of lack of
19 attention?

20 MR. OVERTVELD: Yes, accelerated
deterioration.

21 MR. JACKSON: Do you not think, then,
22 that the minimum standards and the Standards
23 Board treatment in this bill will go a long way --
24 now, you are going to tell me that there is always
25 in any given city in Ontario, a couple of thousand



1 ordinances outstanding. How is this going to change
2 anything by having a Standards Board? But does not
3 the Standards Board, in effect, ensure that these
4 buildings don't depreciate?

5 MR. OVERTVELD: Well, in theory, yes.

6 MR. JACKSON: Deteriorate, I am
7 sorry.

8 MR. OVERTVELD: You are perfectly
9 right if your theory is to open up the books and
10 say this shall happen and we shall enforce it by
11 such and such, and then we have another proceeding
12 and you send another form. But that is not the way
13 the real world works. When a tap leaks or somebody
14 calls, something has to be done. You may have a
15 big long procedure and the fact is that you have
16 just done something by creating that Board that
17 looks after the maintenance. You just centralized
18 that function.

19 MR. JACKSON: Standardized it in
20 the province.

21 MR. OVERTVELD: You have created a
22 body that is going to maintain the building way out
23 in Ottawa, on my street there wherever it is. You
24 are going to work through some administrative way
25 and the less initiative there is, the slower the
response to the situation. You probably even take
the pride away for somebody to keep up his building.

MR. JACKSON: Well, my understanding



1 of the bill is that the rent increase is hooked
2 into the compliance with the standards. Do you
3 not feel that is a sufficient economic carrot to
4 have a landlord meet with compliance in order to
5 have access to the increase in rents? You do not
6 feel that that takes into account human nature?

7 MR. OVERTVELD: I cannot give you
8 an honest answer because I have not really
9 calculated that one out to be able to say yes or
10 no. I tell you what my feeling is.

11 There is no magic mathematical
12 formulae that you can apply to somebody to main-
13 tain his building. There just isn't a thing.
14 That is not the way these people think. You take
15 the fellow, the man who operates a laundry and
16 who owns the building three doors down. He looks
17 at what he gets in rent. He is probably proud
18 of his building and if he sees there is not
19 enough there, he is going to sell it. That is
20 the sort of situation you are up against. It is
21 alright if you deal with a big large corporation.
22 They have their own internal organization. They
23 have a maintenance department. I am familiar
24 with the cable industry where you have, say,
25 hundreds and hundreds of small cable companies.
Our attitude was you couldn't regulate them at
all. There is no way. The big ones you can.
They have their own internal mechanism. But a small



1 one you cannot because they simply don't -- what can
2 you do? Cut off the subscribers? Tell them not to
3 have any service, and so forth? You would have to
4 do the same thing with the buildings. You just
5 create another big bureaucracy that you cannot
6 administer. In fact, you will have a lot of unhappy
7 tenants who will come back to the government and
8 tell you why. It is just a political -- it's, you
9 know, I can hardly describe it.

10 MR. JACKSON: Thank you.

11 THE CHAIRMAN: Thank you very much
12 for your presentation to the Committee. You have
13 engaged a fair number of the committee members in
14 debate. Thank you.

15 MR. OVERTVELD: Thank you, Mr.
16 Chairman.

17 THE CHAIRMAN: The next presentation
18 is Mr. Jeffry Gould, G-o-u-l-d, of Regional Realty
19 Limited. Mr. Gould is also representing : as
20 I understand it, the Home Builders Association of
21 Ottawa-Carlton.

22 MR. GOULD: No, I am not. There
23 will be someone else doing that presentation.

24 THE CHAIRMAN: So you are with the
25 Regional Realty Limited now. Welcome to the
committee.

MR. GOULD: Thank you very much.

THE CHAIRMAN: Please proceed.



1 MR. GOULD: Mr. Chairman, Honourable
2 Minister of Housing, Mr. Curling, Members of the
3 Committee, may I take the liberty for a few moments
4 to introduce myself to the committee and to describe
5 my background.

6 My name is Jeff Gould. I am Senior
7 Vice-President of Regional Realty Limited, an
8 Ottawa based real estate firm. From a Property
9 Management consideration, we are the largest fee
10 managers in Ottawa, and, therefore, most concerned
11 with the entire concept of rent review and rent
12 controls.

13 On a personal nature, I was born and
14 educated in Ottawa, received a Bachelor of
15 Commerce Degree from the University of Ottawa, and
16 a Masters Degree in Business Administration from
17 the University of Toronto.

18 I am a licenced Real Estate Broker
19 in the Province of Ontario and have been involved
20 with real estate, and property management in
21 particular, since 1969.

22 I am an Accredited Member of the
23 Institute of Housing Management, a member of the
24 Building Owners and Managers Association, and a
25 member of the International Real Estate Institute.
I am a member of the Residential High Rise Retrofit
Task Group for the Ministry of the Solicitor



1 General, Office of the Fire Marshall, and a member
2 of the Executive Committee of the Fair Rental
3 Policy Organization of Ontario.

4 In 1975, I was actively doing rental
5 property management and can well remember the intro-
6 duction of the temporary rent control legislation.
7 I am, needless to say, most concerned and upset
8 that in 1986 I stand before a Parliamentary Committee
9 reviewing a bill which is going to continue, and in
10 many ways, tighten the control measures which were
temporarily introduced in 1975.

11 I well realize that over the past
12 few weeks, Members of this committee have heard
13 numerous commentaries from both the landlords and
14 tenants on the costs and effects of this rent
15 control legislation. I do not propose to enter into
16 an emotional dissertation on the pitfalls and
17 results that rent control has created for most
18 landlords. I would, however, like to, in this
19 short time allowed, take the Members of the
20 committee through a brief situation that actually
21 exists and which indicates how the rent control
22 measures may be manipulated.

23 I shall review how we commenced our
24 Rent Review application under the current legis-
25 lation and its results, how the proposed Bill 51
would deal with the matter and finally, I shall
propose a few changes to benefit the position of both



1 the tenants and landlords.

2 I would also like to mention that
3 this case is by no means the longest case on record.
4 It may, however, be considered to be a normal case.

5 In September, 1985, we advised those
6 tenants in a particular building, whose leases were
7 due for renewal January 1, 1986, that their rents
8 would be increased above the guideline and that we
9 intended to commence a rent review application.
10 Prior to October 31, 1985, we followed the prescribed
11 guidelines, notified all tenants in the building, and
12 the Residential Tenancy Commission of our intention
13 to increase rents during 1986 above the guideline
14 rates, and therefore, had commenced a rent review
15 application. The rent increases were to commence
16 January 1, 1986.

17 As time passed, the tenants and our-
18 selves were notified of the date for the rent
19 review hearing. The date was established for the
20 middle of January, 1986.

21 At the hearing, the tenants were
22 represented by legal counsel and chairperson of
23 their tenant organization, while myself and an
24 associate represented the landlord. The hearing
25 went along smoothly with the Commissioner confirming
that the landlord had followed all the prescribed
rules and regulations, and that he was prepared
to hear the application. The hearing was completed



1 during that day, and was adjourned pending receipt
2 of further information from the landlord. This
3 information was provided within the prescribed time
4 period.

5 Toward the latter part of April, 1986,
6 the order was issued. Twenty days thereafter,
7 an appeal was commenced by the Tenant Association
8 on behalf of the tenants. The landlord, however,
9 was not advised of this appeal until approximately
10 14 days after the appeal had been launched. During
11 this period of time, we had adjusted all of our
12 records to coincide with the order and had
13 prepared notification to all tenants advising them
14 of their new rent payments and any amounts that had
15 been underpaid by them, so as to get their rental
16 accounts into a current position.

17 Upon receipt of the notification
18 that the order had been appealed, we notified the
19 Residential Tenancy Commission that we objected to
20 the late notice which we had received.

21 For your information, from data
22 available to us during the period April 1, 1980
23 to March 31, 1981, Rent Review application totaled
24 2,170 of which 12.9% or 280 were appealed. During
25 the same period for 1981-1982, there were 5,027
applications and 8.3% or 417 were appealed, for
1982-1983, there were 5,442 applications and 13.3%
or 725 were appealed, for 1983-1984, there were



1 2,075 applications and 38.5% or 798 were appealed,
2 for 1984-1985, there were 1,793 applications and
3 29.8% or 535 were appealed, and for 1985-1986,
4 there were 1,582 applications and 45.6% or 721 were
5 appealed. As you will note, while the number of
6 applications for Rent Review Hearings have declined,
7 the number of appeals have increased.

8 I stand here before you, September 18,
9 1986, and advise you that as of this date, we have
10 not been advised of a date for the appeal hearing.
11 We, therefore, can anticipate the earliest date for
12 a hearing to be sometime in November, 1986.

13 Let me for a moment, please, review
14 some of the effects that the appeal has created for
15 both the landlord and the tenant. Firstly, the
16 tenants do not at this stage know what their rent
17 amount should be.

18 The landlord does not know what the
19 rent should be. Therefore, the tenants, by law,
20 pay only 4% above the rents they were previously
21 paying. As the order issued allowed for rent
22 increases of approximately 11%, we have a potential
23 7% discrepancy.

24 History in Ottawa indicates that we
25 can anticipate approximately a 30-35% tenant
turnover in any one year. We have, therefore,
lost approximately 30% of our tenants, potentially
owing money to us. As most of our tenants have



1 prepaid their final month's rent, they have utilized
2 this amount for their final month of tenancy, and
3 need not advise us of their new forwarding address.
4 At such time as we do receive a rent appeal
5 decision, we may have to pursue these past tenants
6 through a collection agency, and, therefore, even
7 if successful in finding and obtaining the increased
8 rental amount, we must forego a certain percentage
9 of this amount towards collection fees.

10 We are also in a position that some
11 tenants have said to us that they are not prepared
12 to pay the ordered rent, and should this rate be
13 confirmed following the appeal, that they will
14 vacate without paying the amounts owing. We will,
15 therefore, then be in another collection situation.

16 Can you imagine what our arrears
17 list looks like? We have programmed into our com-
18 puter the requested rental rates that were
19 presented with the rent review application. We
20 have received an order which is different from our
21 requested rates. The tenants need only pay 4% above
22 their previous rental amount. We must, therefore,
23 every month, review each account individually to
24 insure that at least the minimum rental payment
25 has been received. But, as you may see, neither
the tenants nor ourselves know what the true amount
is.

How can a landlord trying to be



1 efficient, possibly budget for revenue and expenses
2 in the current year, let alone in the future year?

3 As I mentioned to you earlier, our
4 rent review application was for those rents during
5 1986. We must now, prior to September 30, 1986,
6 advise tenants whose leases renew from January 1,
7 1987, what their new rental rates are to be. Neither
8 the present nor the proposed legislation offers any
9 guidelines to be followed by the landlord in this
10 situation in regard to what dollars and percentage
11 are to be applied - be it the present rent, proposed
12 rent or ordered rent. How can we establish increases
13 when we do not even know what the 1986 rates are?
14 How can we budget for 1987 without knowledge of
15 revenue for 1986? A business nightmare has been
16 created. We must, therefore, decide at this time,
17 without knowing how the appeal is going to turn
18 out, the course of action we intend to take during
19 1987. Should the order rate stand, we are not
20 concerned about commencing a rent review application
21 for 1987. Should the appeal decision indicate that
22 the commissioner has erred, and therefore the order
23 or parts thereof recinded, it may be necessary for
24 us to commence an application for 1987. We will
25 not, however, as you may appreciate, know what the
appeal decision is going to be until potentially
well into 1987.

I am sure all Members of the



1 committee appreciate the fact that there is a sub-
2 stantial time delay between the time that expenses
3 are incurred and paid, versus the time that rent
4 increases are received. This appeal situation has
5 further aggravated this situation.

6 Consider for a moment the following
7 facts: As at the end of August, 1986, we have
8 had to pay all the property taxes due for the
9 calendar year 1986. We have incurred during the
10 first five months of 1986 the bulk of our heating
11 expenses for the year.

12 We had commenced our application due
13 to capital expenditures. The act requires that
14 capital expenditures be either fully or at least
15 substantially completed in order to be given any
16 consideration at a Rent Review hearing. These
17 items, in excess of \$250,000.00, have been completed
18 and paid for. To date, we have not received any
19 funds to help cover these expenditures. When you
20 take the capital expenditure amounts of approximately
21 \$250,000.00, and municipal taxes in excess of
22 \$140,000.00, I think you can start appreciating the
23 dilemma that the landlord now finds himself in.

24 The appeal, however, will not
25 consider any of the costs to carry these increased
expenses, and potentially, in order to recover costs
incurred in carrying these amounts, another rent
review application will be required. Can this



1 possibly be a fair situation to the landlord?

2 Consider for a moment who benefits
3 when an order is appealed. If the appeal is launched
4 by the landlord, he is, for all intents and
5 purposes, delaying any increases that he may be
6 entitled to. A landlord will, therefore, accept
7 items in a decision that he may not be satisfied
8 with. When considered from an economic point of
9 view, the landlord is, in many cases, prepared to
10 accept an order not fully to his satisfaction,
because of the implications the appeal will create.

11 A tenant, on the other hand, can
12 technically only benefit by commencing an appeal.
13 Under the present legislation, there is no review
14 process that would indicate whether appeals be
15 frivolous or not, and as you may appreciate, the
16 time delay between the issue of the order and the
17 issue of the appeal decision can be several months,
if not in excess of one year in processing.

18 Let us now, for a moment, review
19 Bill 51 and how it handles the appeal process.

20 Section 98(1) allows for a 30-day
21 period to appeal an order. This is an increase of
22 15 days over the current legislation. Bill 51 then
23 allows a further 30 days from the time time appeal
24 is made for the filing of further documents and
25 items which the parties intend to rely upon at the
hearing of the appeal. Current legislation allows



1 for seven days. We, therefore, have an increase
2 under this section of 23 days.

3 Section 99(2) allows for the parties
4 involved to agree in writing to limit those issues
5 of the appeal to those issues agreed upon by the
6 parties. This also, in effect, although having
7 merit, will tend to lengthen the entire appeal
8 process.

9 Under Section 100(2), the Chairman
10 may assign three Members of the Board to the appeal
11 panel to hear the appeal if any party to the
12 appeal files the request not later than 30 days
13 after the day the notice of appeal is filed. This
14 technically may also be a means to lengthen the
15 entire appeal process.

16 Section 101(1) allows for the
17 possibility of a prehearing conference to discuss
18 several matters relating to the appeal. I guess
19 one could consider this to be equivalent to
20 Discoveries in our legal system. Under this system,
21 the Member of the Board who conducts the conference
22 may make such recommendations as he or she considers
23 necessary or advisable, arising out of the matters
24 discussed at the conference. These are recommenda-
25 tions only, and need not be accepted by the parties
involved. The appeal hearing would then follow
at a later date, and, as the Member who heard the
prehearing discussion is not to be a Member of the



1 Board at the actual hearing, items would have to
2 be re-presented again to all involved in order to
3 arrive at a decision.

4 And then, Under Section 109, the
5 Board may, within one year of the date of an order
6 of this Board, rehear any appeal and may affirm,
7 rescind, amend or replace the order. Just for a
8 moment consider the drastic effects which may be
9 created if an appeal order is rescinded or amended
after a one-year period.

10 Is there a solution? Yes. A very
11 simple solution. Realistic and practical in both
12 economic and business contexts. The solution -
eliminate rent control.

13 Realistically, however, rent control
14 is a political animal. It is a cancer that is
15 spreading and causing damage, which unfortunately
16 most people are not prepared to consider. We
17 must, therefore, look at the cancer and try and
18 reduce the devastating effects prior to the demise
19 of our entire rental housing industry.

20 I have been discussing the appeal
21 process, indicating to you how it may magnify the
22 problems that a rent control system creates.
23 Acknowledging that rent control is a political
24 cancer and will remain for the time being, let me
25 review a few appeal concepts that may help to
streamline the process.



1 First, I believe that if an appeal is to be launched,
2 it should be commenced as per the present litigation
3 that being within 15 days of the time the order is
4 received. By Bill 51 allowing for 30 days, you are
5 technically increasing the process by 15 days.

6 I would recommend that if documen-
7 tation is to be filed, same must be filed within the
8 seven-day period which now exists and not the
9 30-day period proposed.

10 I would recommend that a prehearing
11 date be established within 30 days of the date of
12 the appeal. This prehearing must occur within
13 45 days from the time of the appeal. The appeal
14 should be heard by a Member of the Board who must,
15 within ten days from the prehearing, determine
16 whether the appeal items have merit or not. If any
17 appeal item is deemed to be of a frivolous nature,
18 and the party issuing the appeal insists that the
19 frivolous item be considered by the Board as a
20 whole, there should be a financial cost involved to
21 continue the appeal process. If the Appeal Board
22 deems in its decision that the appeal item was not
23 of a frivolous nature, these funds would be
24 returned. Any items which are determined to be of
25 a non-frivolous nature from the prehearing, and
are not settled between the parties, may be heard
at an appeal hearing.

The party initiating the appeal would



1 have ten days following the prehearing decision to
2 decide whether or not to proceed. If it is
3 determined to proceed, then the hearing should be
4 scheduled within 20 days to be held within the next
5 30 days.

6 Following the appeal hearing, the
7 decision must be rendered within a 30-day period.

8 Even with this proposed refined
9 system, there is potentially a 135-day delay from
10 the time the appeal commenced to the time a decision
11 as to this appeal is rendered. This still is far
12 too long, however, allowing all parties their due
13 rights, I do not believe the process can be
14 reduced any further.

15 There should also be a provision in
16 the act that during the appeal period, tenants
17 should be required to pay the ordered rent amount.
18 This would, therefore, partially eliminate the
19 problems that now exist in collecting back rent
20 from tenants who have vacated prior to an appeal
21 decision being rendered.

22 Mr. Chairman, Members of the
23 Standing Committee, I have tried briefly to review
24 how the appeal process now works to the advantage
25 of one party, and to the disadvantage of the
other party, through an actual situation. I have
not, due to the time constraints, dealt with all
the technical issues, but have tried only to bring

1 this matter to your attention. I have also
2 attempted to propose a time schedule to be used if
3 an appeal process is commenced. This schedule is
4 far from perfect, but perhaps it will help to reduce
5 the delays and resulting problems which frivolous
6 and unnecessary appeals create.

7 Throughout the history of rent
8 control in Ontario, the landlord has always been
9 perceived as the bad party. I think, if the
10 rent control system is to continue, landlords
11 should be encouraged, rather than bullied. Land-
12 lords too, need protection from the abuses of the
13 system.

14 I believe, also, ladies and gentle-
15 ment, that the government should show to its
16 taxpayers, the real costs of rent control and its
17 effect on the economy. Let it be known to all,
18 the proportion of tenants who cannot be considered
19 anywhere close to the poverty line and yet profit
20 from lower rents. Let is be shown the amount of
21 investment dollars that have moved from the Province
22 of Ontario to other areas without rent control, be
23 they Canadian, American, or elsewhere in the world.

24 Wilbrod LeClair, in a recent article,
25 states that one of the earliest illustrations of
economic truths that one learns in textbooks, is
the paradox of values. Something which can be very
good for one individual, can become a disaster when



1 applied to all individuals at the same time. Rent
2 control is a perfect example of this. For one
3 particular needy tenant, it may be the answer to a
4 prayer; but when applied to all tenants, it creates
5 a new set of problems worse than the original one.
6 It would be better to return to the concept of
7 direct help to the needy and free the rental market.
8 He also states that the further lesson that can be
9 learned from the rent control experience, is that
10 governments might have more foresight if, before
11 starting a new program of rent control, they
12 examined its consequences in other countries.
13 European governments have been wrestling with rent
14 control since the Second World War, and are now
15 moving toward de-control. We could surely have
16 found ways to avoid at least some of the problems
17 if government had not jumped so far with so little
18 examination of where it was going.

17 Ladies and gentlemen, thank you for
18 allowing me these few minutes to present only one
19 problem area that this rent control system has
20 created. Please, in your review of this entire
21 matter, consider the long term effects, consider
22 the deterioration of our housing stock, consider
23 how this program affects and benefits those tenants
24 who need it least, and continues to ignore those
25 tenants who do have an affordability problem and do
need the assistance from all of us.



1 Thank you.

2 THE CHAIRMAN: We have a question
3 from Mr. Cordiano.

4 MR. CORDIANO: Mr. Gould, you have
5 been talking -- largely your brief dealt with the
6 appeal process. I want to point out in the first
7 instance that Bill 51 attempts to streamline the
8 process of the Rent Review Hearing.

9 In fact, what Bill 51 proposes to do
10 is, prior to going to the Rent Review Hearing, an
11 administrative review would take place. That is
12 the first instance where the landlord is applying
13 to increase rents for more than the applicable
14 guideline for that particular year or for its
15 burden of costs. That effort is designed to bring
16 landlords and tenants together in a non-adversarial
17 approach.

18 Would you agree with me that that
19 is at least an effort in that regard, trying to
20 bring landlords and tenants together before
21 reaching the stage where one has to go through
22 the formal process of a Rent Review Hearing?

23 MR. GOULD: I agree with you whole-
24 heartedly. My concern, and the reason why I
25 decided to present a brief on this topic is the
concept that we have heard that this entire bill
might be scrapped. My concern is that this bill
does have a lot of merit. I think they have



1 streamlined the process. I think what they have
2 done will benefit both landlords and tenants. But
3 I think they must go through with some amendments
4 but go through and pass the bill which now exists.

5 MR. CORDIANO: I want to deal with
6 your second point. Well, basically the question
7 of appeals and the question of future appeals
8 and perhaps I can -- that is dealt with in, I
9 believe, Section 113, but I would like the Ministry
10 to shed some further light on that if possible.

11 Perhaps you can explain that in
12 layman's terms?

13 MR. PETERS: In layman's terms, I
14 think it probably attempts to solve the problem
15 that was addressed earlier in the brief, that if,
16 in fact, there is a decision reached at the admin
17 review, and let us say for the sake of argument, to
18 use your figures, as I recall 11 percent?

19 MR. GOULD: Yes.

20 MR. PETERS: That award would be
21 collectible until such time as it went to appeal.
22 So, in fact, the appeal does not stay the order.

23 MR. GOULD: I think in my brief what
24 I was trying to do in certain areas is confirm
25 the benefits of Bill 51, not to knock it.

MR. CORDIANO: I just simply wanted
to expand a little bit on the point that you made
on Page 10 where you dealt with the whole process



1 of appeals, the lengthy process and the uncertainty
2 of the process. I think that Section 113 and other
3 sections attempt to deal with that--

4 MR. GOULD: No question.

5 MR. CORDIANO: --- very process
6 in a systematic and streamlined way.

7 MR. GOULD: Right.

8 MR. CORDIANO: Thank you, Mr.
Chairman.

9 MS. SMITH: I think, to some extent,
10 you have covered the point with Mr. Cordiano
11 because it seemed to me in listening to your brief
12 that a lot of the grief you were complaining about
13 we are attempting to address in the bill. You do
14 say yourself that you think the bill is an improve-
ment and should be passed.

15 MR. GOULD: Yes.

16 MS. SMITH: The only other point I
17 would make, then, would be that the bill hopefully
18 not only will make the appeal process more unlikely
19 because you have another process first, but the
20 defined costs that are already recognized would
21 surely make it very often not necessary to appeal.
22 The formula may be complicated but it is something
23 clearly and easily understood and addressed. I
24 guess I can only say that certainly it is our hope
25 that this bill will dramatically reduce the need
for appeals and complications, although, of course,



1 you have to allow this as a right where necessary.

2 I think we have all listened with
3 care to your brief and as well have set in the bill
4 itself a time when reviews will be held to examine
5 and see whether what is anticipated is, in fact,
6 what is realized and how, in fact, things can be
7 improved. However, I am glad to hear you say that
8 this, in itself, is an improvement.

9 MR. GOULD: I think the concept I
10 was trying to get across, as I mentioned before,
11 is that I think the bill basically is a good bill.
12 My concern and our concern is that it be altered
13 because a lot of these were compromise recommenda-
14 tions for both parties. You can't change it without
15 changing the compromise.

16 MS. SMITH: That is right.

17 MR. GOULD: Please, that is what I
18 am saying. You have done something, don't scrap
19 it.

20 MS. SMITH: And don't compromise.

21 MR. GOULD: It has largely been a
22 compromise in a lot of areas.

23 MS. SMITH: But don't go further.

24 MR. GOULD: Don't play with the
25 compromise because it is then not a compromise
 anymore.

 MS. SMITH: Thank you.

 THE CHAIRMAN: Ms. Gigantes?



1 MS. GIGANTES: Mr. Gould, on Page 4,
2 you have provided us with information about the
3 number of rent review applications over the last
4 five years in this area. Does that cover
5 Ottawa-Carleton?

6 MR. GOULD: That covers the entire
7 province, I believe. Most of that information is
8 from an annual report issued by the Residential
9 Tenancy Commission.

10 MS. GIGANTES: So, for each of these
11 applications, there would be many units involved?

12 MR. GOULD: Oh, yes.

13 MS. GIGANTES: Do you know how the
14 rates compare in Ottawa, whether the same pattern
15 has come through?

16 MR. GOULD: I do not know, I was
17 unable to get that.

18 MS. GIGANTES: How many units are
19 you responsible for in Regional Realty?

20 MR. GOULD: Approximately 4,000.

21 MS. GIGANTES: Of those, how many
22 would go through rent review in a normal year?

23 MR. GOULD: This year we took three
24 buildings totalling, I think, about 500 units. If
25 I may, one of them was due to a purchase and the
other two were due to capital expenditures.

MS. GIGANTES: What would be your
gross income per year on one unit in very rough



1 terms?

2 MR. GOULD: I wouldn't even hazard
3 a guess on that. I don't think it's got anything
4 to do with this.

5 MR. CORDIANO: You do not have to
6 answer that anyway.

7 MS. GIGANTES: Excuse me, Mr.
8 Chairman. It seems to me to be quite relevant
9 because I wanted to ask a related question, which
10 is the question of delay on the rent review, where
11 he raises the matter of \$250,000.00 in capital
12 expenditures for which he was seeking compensation
13 through rent review. I was trying to get a sense
14 of what that would be as a percentage of your
15 operating expenditures.

16 MR. GOULD: If I may, Ms. Gigantes,
17 when I commenced my brief I believe the term that
18 I used was we are the largest fee managers. If I
19 may for a moment, as fee manager, we manage for
20 others. We do not own. Each building is an
21 individual building and the building that you are
22 referring to here has no bearing on any of the
23 other buildings that we manage. The funds and the
24 investment dollars from that building belong to
25 those owners. So we can't apply one building to
another building. We are real estate brokers, our
funds are put into a trust account and they have
to all be allocated to each individual building.



1 MS. GIGANTES: That is helpful, thank
2 you.

3 MR. GOULD: So it doesn't have a
4 bearing.

5 THE CHAIRMAN: Thank you, Mr. Gould,
6 for appearing before the committee.

7 MR. GOULD: Thank you.

8 THE CHAIRMAN: The next presentation
9 is from the Home Builders Association of Ottawa-
10 Carleton.

11 MR. MacLELLAN: Mr. Chairman, ladies
12 and gentlemen, my name is Ken MacLellan, and I am
13 appearing on behalf of the Ottawa-Carleton Home
14 Builders Association. I, myself, am Director of
15 Marketing for one of the largest developers in
16 the area, Thomas C. Assley Corporation. You will
17 be glad to know that the brief I have prepared is
18 a short one, so if brevity is a virtue, I am very
19 virtuous this afternoon. My brief is in the form,
20 really, of centering on a few issues which I would
21 like to go through fairly quickly in anticipation
22 that it may beg some questions that could elicit
23 a response as to the ultimate objective of
24 expanding rent controls to cover all units since
25 the post-1975 era. I use the brief in the format
of reflecting only what has happened in the
Ottawa-Carleton region because it is obviously the
one that affects us here today. I ask it in the



1 form of questions, some of which are not rhetorical.

2 The first one I would like to ask is:

3 Has rental construction continued in the Region of
4 Ottawa-Carleton because of the exemption of rent
5 control on units that have been constructed after
6 1975? The answer to that is in the affirmative.
7 We have seen fairly significant levels of construc-
8 tion of rental housing in this region since 1976,
9 and the brisk rate has mainly occurred because of a
10 commitment by this province to exempt those rental
11 units from rental control.

12 Now, that exemption has encouraged
13 investors in the belief that they would not be
14 subject to a bill which is now being somewhat
15 arbitrarily assessed to include units built after
16 that date. We have seen the apartment rental stock
17 increase from 47,000 odd units to 52,000 units
18 between 1980 and 1985. The current vacancy rate
19 is reported very recently, independantly, at
20 approximately three percent. And I used an
21 independant source there because there was a concern
22 that the figures CMHC published probably have
23 consistently understated the actual vacancy rate
24 in the region. So out of a total universe of
25 62,000 units we have a vacancy rate today which
would be considered by the tenants and the develop-
ment industry as probably a healthy one which will
provide a reasonable balance.



1 This particular vacancy rate at this
2 time is the highest that has occurred since October
3 of 1980. The reason for my bringing up this point
4 is to show that, in fact, we have seen a level of
5 housing activity in this region that has -- in the
6 marketplace -- due to reductions in interest rates,
7 due to a free marketplace in post-1975 rent units
8 which have now allowed rents to rise to a more
9 reasonable level to allow some form of return to
10 the investors, we have seen the free marketplace
11 at work. We now have a rental balanced stock in
12 this region, which is ultimately what we are trying
13 to achieve.

14 Now, if Bill 51 is trying to provide
15 affordable housing, then I can't address that
16 because that is a social issue and one I think
17 should be dealt with as a very separate issue,
18 rent control itself. If the intent of expanding
19 rent control to all rental units is to inhibit the
20 further growth of the rental stock, then I think
21 effectively we will have done a very great job of
22 stopping the provision of further rental units.
23 There is no question in my mind that in spite of
24 the difficulties the rental housing industry has
25 experienced, we have seen a level of activity in
 the region here which, in the marketplace, has
 come full circle and is now at a level of vacancy
 that effectively means there is a choice of rental



1 accommodation.

2 Now, that rental accomodation may
3 not address the needs of the needy in the community.
4 I do not think that Bill 51 should be addressing
5 that issue. I think that is a separate issue that
6 should not be involved with the provision of rental
7 stock.

8 The increase in the vacancy was
9 clearly a consequence of the relatively high
10 rental building activity of 1982 to 1985, and the
11 high level of sales to first time home buyers
12 during that period has obviously contributed
13 largely to the situation we have today. I think
14 this higher vacancy level can be expected to
15 continue notwithstanding whether Bill 51 goes
16 through or not because in the very short term, the
17 level of activity which is already under way will
18 provide a rental stock, certainly for the next few
19 years, that will not be affected by the provisions
20 of Bill 51. From January to May, 1968, for
21 instance, we have 1,217 rental starts in the
22 region. Now, this represents, along with the
23 rental starts from 1985, approximately a three
24 percent growth per annum in the rental supply.
25 Given that that will, in fact, occur and continue
for some little time, the vacancy rate will
marginally increase probably for three or four
percent. The rate of growth, as outlined in the



1 THOM Commission, assuming that the conclusions are
2 correct, the growth of renter households in this
3 region should be between 1.77 and 2.94 percent from
4 1986 to 1991. Therefore, in a free marketplace
5 environment, we have at least or are providing a
6 number of rental stock that is in excess of, in
7 fact, the requirements as outlined by an independent
8 report.

9 The next question that that begs is:
10 Has legal status of construction activity changed?
11 The answer to that is yes. Almost all the activity
12 in the rental industry has been under the auspices
13 of government programs or utilizing federal tax
14 write-offs. Now, that in and of itself is not a
15 very happy situation. We have an industry that is
16 relying on tax write-offs or government assistance
17 to even exist. But most of the activity, if not
18 all of it, has been under government programs, and
19 that which has not has been exclusively condominium
20 in nature. The reason for that, of course, is no
21 particular secret. It is largely because of rent
22 control. So that an individual investor or
23 developer has the option of not being subject to
24 the impact of rent control arbitrarily assessed
25 to his buildings in the future.

Now, the legal implication of that
is such that there will be an increasingly large
number of rental stock on the market which will, at



1 some point in the future, be depleted as and when
2 individuals investors and developers elect to no
3 longer be subject to control of the return on
4 equity.

5 Certainly Bill 51 controls return on
6 equity and those of us in the development industry
7 are unfortunately capitalist by nature. We are
8 investing money to make money. We don't like to
9 be told exactly what our return on equity is.
10 Certainly it would concern me that all of the rental
11 stock that is being built, with the exception of
12 the government programs which have a stipulation
13 of generally not allowing the buildings to be
14 condominiumized, all of those buildings can, in
15 fact, be removed from the marketplace by the
16 individual investor or the developer at any point
17 in time in the future when he is no longer happy
18 with the status quo.

19 I would suggest to you that within
20 a matter of four years or five years or six years,
21 and it really does not matter because it is a
22 question of how bad the situation becomes before
23 it is redressed, there will be a large number of
24 people that will elect to sell out rental properties
25 essentially to homeowners. So, instead of contrib-
uting to the rental stock, we will have a serious
depletion and that in and of itself is not a
particularly good thing to happen given the fact



1 that the introduction of this bill will merely
2 exacerbate that situation dramatically when its
3 full effects are being felt down the road.

4 As a matter of fact, I ask the
5 question: Will this hurt the rental market? Of
6 course it will because we have already seen, using
7 my own experience, approximately 15 to 20 percent
8 of the rental stock that is condominiumized, having
9 already been sold to homeowners in several
10 communities that were developed back in 1978, 1979
11 and 1980. So there is no question in my mind that
12 there could be a serious depletion of the rental
13 stock because of the expansion of this bill to
14 capture those units built after 1976. Because,
15 naturally, investors will feel that they have been,
16 to a large extent, misled because they invested
17 their money on the basis of working in the free
18 marketplace.

19 So I say to you without fear of
20 contradiction that a long term solution to this
21 is not by expanding Bill 51 to cover units that
22 were built after 1976. Again, it is a social
23 problem and one that has to be looked at in that
24 context, not in the context of arbitrarily
25 expanding rent control across all units being
built in this province.

Again, I ask a question: What has
happened to the rental supply since rent control



1 was introduced in 1976? There is no question that
2 during certain years rental accommodation has not
3 been built in sufficient numbers to keep pace with
4 the need. But as it happens in most industries,
5 given a few years, the industry will adjust. During
6 1981 to 1986, as can be seen from the vacancy chart
7 from CMHC's statistics, we did respond as market
8 rents increased. Now, they did increase because of
9 low vacancy rates. That is the nature of the game
10 because there is no return in the first few years
11 in building rental accommodation. The drop in
12 mortgage rates obviously provided the additional
13 incentive and we, in the region, have fortunately
14 returned to a level of vacancy that is again
15 considered to be a normal one of about three per-
16 cent.

17 Those of you that don't know the
18 region here can only read our Ottawa Citizen if
19 you disbelieve we have an oversupply of rental
20 accommodation, certainly in some areas of the
21 marketplace. For the near future, I believe that
22 vacancy rates are definitely on the increase
23 because of the consumer shift to home ownership
24 and the low absorption of rental housing stock.
25 In fact, the extension of rent control again can
only create a shortage and we can foresee within
a few years a return to problems that we have had
and are having or have happened in this marketplace



1 in prior years when the vacancy level fell
2 dangerously below one percent.

3 To my mind, if you wish to force the
4 vacancy level below that figure, the extension of
5 rent control would surely do that. It is just a
6 question of how long that will take to take effect.

7 We have seen, in conclusion, an
8 industry in the Ottawa-Carleton region respond to
9 market demand in spite of historically high interest
10 rates and because we foolishly believed that an
11 extension of rent control was not imminent. This
12 ~~further erosion of confidence does not augur well~~
13 ~~for the future of the rental housing industry in~~
14 ~~Ontario and I do not think it will do anything in~~
15 ~~the long run to address the housing ills that we~~
16 ~~suffer in this province.~~

17 Thank you, gentlemen.

18 THE CHAIRMAN: Thank you, Mr. Mac-
19 lennan. We use your benchmark of brevity being
20 a virtue, then we can declare you a virtuous man.

21 MR. MacLENNAN: Thank you.

22 THE CHAIRMAN: Any questions of
23 Mr. Maclelennan?

24 MS. GIGANTES: Could you tell us a
25 little bit more about why you think CMHC's vacancy
estimates are off?

26 MR. MacLENNAN: Well, I think -- it
is not really a criticism of CMHC. I guess it's a



1 criticism of the process by which they gathered the
2 information. They are obviously gathering the
3 information from private industry sources. I think
4 many of us in the industry have always felt that the
5 vacancy rate is a bit understated. I know from our
6 own figures and from talking to other landlords
7 that certainly they quoted, I believe, the first
8 quarter of this year as 1.3 percent. An independant
9 survey was done, it was not done on my behalf, by
10 Corporate Realty Consultants and they came up with
11 a figure of approximately three percent. That would
12 indicate that it is probably double the figure that
has, in fact, been used and published.

13 MS. GIGANTES: Does that mean that
14 for 1980 we can assume that the vacancy rate would
15 have been somewhere around, is that 3.5 or 5.5?
16 3.5, so it would have been around seven percent in
1980?

17 MR. MacLENNAN: I don't know that I'd
18 want to extrapolate the figures from that time not
19 knowing how the data was gathered, but certainly I
20 would suggest to you that the vacancy rate has been
21 consistently much higher than what has been stated.

22 MS. GIGANTES: Do you have any
23 figures that would indicate a breakdown on the
vacancy rate on rental ranges?

24 MR. MacLENNAN: Certainly CMHC do
25 survey that aspect of the market. It goes without



1 saying that the lower rental market virtually
2 experiences no vacancy at all. The most recent
3 figures I have seen suggest that rental units that
4 are not subject to rent control experience at least
5 double, if not three times, the vacancy of rent-
6 controlled buildings. So that if one assumes 65
7 percent of the rental stock from this region, for
8 instance, is not -- is under rent control, the
9 35 percent that is outside of rent control probably
10 in total numbers, has at least as many vacancies if
not more than 65 percent.

11 MS. GIGANTES: Thank you.

12 THE CHAIRMAN: Mr. Cordiano?

13 MR. CORDIANO: Mr. MacLennan, on
14 the second page of your brief, you seem to indicate
15 that Bill 51 will probably cause a vacancy level
16 of below one percent. Yet we heard earlier from
17 Mr. Greenberg of Minto Construction that the bill
18 would incur -- certainly encourage his firm to
19 continue building and to bring new units on the
20 market and that there would be provisions for
21 rate of return on investment and that would be
22 sufficient for him as an incentive to continue
23 to build and to bring units into the market.

24 I would just like to explore the
25 reasons why you think that Bill 51 would not
encourage further development in the rental field?

MR. MACLENNAN: I certainly do not

1 want to speak for Mr. Greenberg. He obviously can
2 afford to take a much longer financial look at the
3 marketplace than most developers. I would not want
4 to suggest that his situation would be typical of
5 most people that are in the rental market.

6 Much of the rental stock that has
7 been developed in this region, in fact, most of it
8 has been developed and owned now by individual
9 investors as opposed to large development companies,
10 if one excludes the two government programs which
11 have been used over the last few years.

12 I would suggest that if he is taking
13 a very long term look at the market, then he might
14 well be happy with the return on equity. In his
15 case, he's got a very large portfolio and there
16 may well be economies of scale. I certainly cannot
17 try and second-guess as to why he would be content
18 with the return on equity. I would certainly suggest
19 that his position would not be typical of the
20 average investor getting into the rental housing
21 industry.

22 MR. CORDIANO: But you explicitly
23 say that your belief is that vacancy levels would
24 fall below one percent. Currently you have argued
25 that it is three percent in the Ottawa region. We
have figures that indicate that it is closer to 1.8
or thereabouts, or 1.5 as the CMHC report indicates?

MR. MacLENNAN: Right.



1 MR. CORDIANO: That would be quite a
2 dramatic drop, wouldn't you say so, and I think
3 that, as I said, Mr. Greenberg and other developers
4 have indicated that, well, Bill 51 does not address
5 all their needs, but it certainly begins to do just
6 that.

7 MR. MacLENNAN: Well, I think Bill 51
8 addresses certainly some of the needs by introducing
9 a mechanism that will hopefully speed up the process,
10 which has certainly been a strong beef by many
11 developers. Whether the extension of rent control
12 is considered as acceptable by the industry, in
13 general, I certainly have not heard too many people
14 voice their acceptance or happiness with the fact
15 that Bill 51 will, in fact, include all the units
16 after 1975. I would suggest that I have heard very,
17 very few voices that have voiced that particular
18 point of view.

19 MR. CORDIANO: Certainly the land-
20 lord representatives on the RHAC Committee seem
21 to believe that this would be a process that they
22 could follow and live with, and recognition of
23 the rate of return as the beginning of that
24 process would encourage some further development
25 and further building in the rental accommodation
field?

MR. MacLENNAN: Well, I can answer
that, I guess, by using another area. Obviously,



1 the Toronto market has not been subject to rent
2 controls since 1975, like none of the other
3 Ontario communities. It has not experienced much
4 in the way of rental housing development. I would
5 suggest to you that if it is a question of rate
6 of return, even with the marketplace as it is, there
7 are not enough rental accommodation buildings put
8 up in most of the communities in Ontario. You have
9 to sit and assume, I think rightly, that the general
10 fact of rent control, because of the large
11 percentage of the units that are subject to rent
12 control, has a general depressing effect on rent
13 levels that are achievable. Given that you have
14 two-thirds, at least, of the rental stock under
15 rent controls, the free market does not have a true
16 entity within which it can work to its maximum
17 advantage, if you want to call it that, with a
18 relatively small amount of rental stock.

17 I don't think the evidence shows
18 you that there has been enough rental activity in
19 many communities in Ontario in spite of the fact
20 there was no rent control. So how you can say
21 now that rent control is going to help a situation
22 that is already very bad, in spite of the lack of
23 rent control, I can't see.

23 MR. CORDIANO: I am specifically
24 referring to Bill 51, but we also see market
25 conditions having their impact in the Ottawa region



1 where the vacancy rate is certainly higher than
2 other large urban centres across the province.

3 MR. MacLENNAN: That is correct, and
4 there is probably good reason for that, too.

5 MR. CORDIANO: A number of reasons,
6 I am sure. In any case, the point that I was
7 specifically referring to was the incentive in
8 Bill 51.

9 MR. MacLENNAN: What incentive is
10 there in Bill 51 to any developer?

11 MR. CORDIANO: Quite apart from
12 what was there before, the rate of return provision
13 ---

14 MR. MacLENNAN: But there was no
15 rent control prior to the extension of Bill 51 to
16 rental stock built after 1975. So how could one
17 construe an incentive?

18 MR. CORDIANO: Well, you are assuming
19 that it is only rent controls that are the only
20 factor and I do not ---

21 MR. MacLENNAN: Well, there were no
22 rent controls post-1975 so by imposing any form of
23 restriction, I can't see how you can encourage an
24 industry that is already not responding because of
25 what has happened prior to 1976.

26 MR. CORDIANO: Well, what we have
27 been told in the Toronto area is that economic
28 rent, if the market were to operate on its own --



1 well, despite the market operating on its own, in
2 order to have an economic rent, you are looking at
3 an \$800.00 a month figure and approximately
4 \$65,000.00 to build a new unit. So those are quite
5 hefty figures and certainly not affordable by many
6 people.

7 MR. MacLENNAN: Well, the issue of
8 affordability, whether it is 25 to 30 percent of
9 the people that have an affordability problem and
10 I do not profess to be an expert in that area, but
11 I don't think, in my opinion, that is the issue.
12 There are two issues, as I said at the outset. One
13 of those is affordability for those in need.

14 The second issue is whether we should
15 have arbitrary rent control across an entire
16 industry.

17 As far as I am concerned, one
18 certainly should not have arbitrary rent control
19 across the entire industry. As far as providing
20 affordable housing for those that need it, that is
21 another issue that the housing industry certainly
22 would be happy to help in any way it can. But
23 we are not talking about doing that. We are
24 talking here about imposing a control on a particular
25 industry. That is really a political problem and
we are imposing that penalty on the backs of the
housing industry whether they like it or not.

I would suggest that the food



1 industry is also somewhat essential to most people
2 but we don't go around saying that the price of
3 corn flakes should be subject to restrictions. That
4 is certainly not going to encourage the food industry
5 to expand. By the same token, any form of
6 extension of rent controls is not going to encourage
7 the development of rental housing. It is an utter
8 impossibility. It is a complete contradiction in
9 terms to suggest that Bill 51, in any way, can
10 encourage rental housing to be built. There is no
11 logic that I can think of that would make me
possibly arrive at that conclusion.

12 MR. CORDIANO: Well, we can argue
13 that but I will not continue in the interests of
14 time. However, certainly there has been a number
15 of people that have come forward and have indicated
16 that there is greater incentive in Bill 51 than
17 existed prior to Bill 51 for new rental construction.
Anyway, I will leave it at that.

18 MR. MacLENNAN: I wish I could think
19 of a point, but I can't.

20 MS. SMITH: Just looking at the same
21 thing from a slightly different point of view, you
22 said or we have told you that Minto Construction
23 Development said that, indeed, they did think it
24 was a reasonable approach that was taken in this
bill as far as return on investment. Your response
25 was that it may be reasonable for those that can



1 look at the long term investment, but not the short
2 term.

3 On the short term, we have a figure
4 in there which seems reasonable and seems to be
5 accepted by many. In fact, if the figure is fair
6 long term for Minto, it has to be fair long term for
7 everybody. Because what the long term return is
8 affects your sale price. I mean, what is the value
9 of the thing? The value of any investment is its
10 long term value. I do not know that the rental
11 business is greatly served by people who are in for
12 a very quick in and out. As long as there is a
13 reasonable return and a long term fair investment,
14 then that is all that surely can be guaranteed.

15 MR. MacLENNAN: Well, you are right,
16 I do not think anyone is saying that you should be
17 in for the quick term. But given the fact that a
18 developer as such would have no faith that in four
19 or five years time he could see some Draconian
20 measures being taken that would severely inhibit
21 his ability to make money, why should he have
22 faith in a government that said we were going to
23 have temporary rent control and they would be
24 removed after two years, why should we have any
25 faith in it today? I certainly would not be
encouraged ---

26 MR. CORDIANO: That was a different
government.



1 MS. SMITH: I would add --

2 MR. MacLENNAN: And we all know at
3 whose instigation, unfortunately, the bill was
4 introduced originally.

5 MR. REVILLE: We are still here.

6 MS. SMITH: I would add that one of
7 the chief aims of this bill and those landlords who
8 worked on this bill was to create just that kind of
9 confidence that they could then live with. It was
10 worked on by landlords. It was done that way to
11 introduce the kind of formula and long-term
12 planning that could be understood and lived with
13 rather than just waiting to see what government
14 does next year without having any idea in advance.
15 It produced a formula that came from builders and
16 tenants.

17 MR. MacLENNAN: I would like to
18 differentiate, I think, a little bit here between
19 builders that have a large inventory of units that
20 are subject to rent control and probably financed
21 at very low levels and are committed to staying in
22 the industry. Obviously, their vested interest
23 would be well served by Bill 51 because it would
24 allow them certainly flexibility of a return on
25 equity that is greater than their experience to
date. So, if I was being very selfish and I had
20,000 rental units and I wasn't going to build
another one from now until the end of this century,



1 I would be delighted with Bill 51 because it
2 certainly is better than what I've got right now.
3 From that point of view, I would be encouraged or
4 encouraging you to pass the bill because it would
5 certainly serve my financial interests.

6 As far as encouraging rental growth
7 in the future, if you are saying that a certain
8 provision in Bill 51, given that we are going to
9 have rent control anyway, will encourage more
10 building than would have occurred if we did not
11 have some of the streamlining effects of Bill 51,
12 and possibly higher returns on equity, then I would
13 say yes. It would less inhibit rental construction
14 that it otherwise might. But I can't in any way see
15 it couraging rental construction. In fact, exactly
16 the opposite.

17 I reiterate what I have said earlier.
18 If somebody can tell me how it can encourage
19 rental construction, I'd sure like to hear it.

20 MS. SMITH: Well, I guess only time
21 will absolutely prove one way or another, but
22 certainly it was the intention of the landlords
23 working on the bill to produce one that would do
24 just that. So they have appeared before us and said
25 that this was their intention and their belief.

MR. MacLENNAN: Well, as I say, I
would try and differentiate very strongly between
those that are already in the industry that have no



1 intention of building any more, and those committed
2 to currently build. It is fine for people to say it
3 will encourage rental construction, but there are
4 probably three or four developers only in this
5 region that build rental construction, of which we
6 ourselves and three others probably build 90 percent
7 of it.

8 I can assure you that introduction of
9 rent controls across the board would virtually
10 eliminate a last incentive for us to build, and I
11 talk about the company I am employed with, because
12 without tax losses such as we can utilize, without
13 capital cost allowances and so on and so forth
14 which may or may not be removed in the next
15 federal budget, we would have absolutely no
16 incentive at all with rent control to build rental
17 units. None at all.

18 MR. JACKSON: Mr. Chairman, I was
19 very interested in Mr. MacLennan's response when
20 he said that hurry up and pass the bill because it
21 would, in effect, be better than the bill we are
22 currently operating under.

23 Are you aware that the Minister
24 announced today, sometime this afternoon, that his
25 new bill was going to be a short term, \$21 million
relief for tenants, and savings could go as high as
\$45 million in subsequent years?

MR. MACLENNAN: No, I wasn't aware.



1 MR. JACKSON: Perhaps the Minister
2 might want to comment as to why he is of the
3 impression that tenants in this province are going
4 to save millions of dollars and yet we have depu-
5 tants coming forward who believe that it is not
6 a great bill but at least it represents less of a
7 financial hardship for them than the current bill
8 we are under. Could the Minister please explain
9 why the deputants seem to be under this mis-
impression?

10 MR. CURLING: I presume, Mr. Jackson,
11 you have just received the press release, and I
12 regret that. But on Page 2, it is indicated that
13 having the Rent Registry and eliminating illegal
14 rents, that is the saving in total. Also bringing
15 all private rental stock under the rent review
process brings a savings to the tenant.

16 MR. MacLENNAN: Are you talking
17 about savings to tenants across the board here, or
18 are you talking about targeting the savings?

19 MR. CURLING: Yes.

20 MS. GIGANTES: Across the board.

21 MR. REVILLE: Those that need it and
those that don't.

22 MR. MacLENNAN: That has always been
23 the concern of this industry. I guess we have not
24 seen any solutions to that problem yet.

25 MR. CURLING: I strongly feel that all



1 people should be protected from any sort of
2 illegality. When one says why are we protecting
3 people who have money, I do not have--I think
4 illegal rents are being charged whether you can
5 afford it or not, and those people should be
6 protected, too.

7 MR. MacLENNA: Well, you are talking
8 about illegalities that have been practiced on units
9 that were built prior to 1976. I have no difficulty
10 agreeing with you that illegal rents are being
11 charged, certainly that issue should be looked at
12 and redressed. I am not looking at the issue of
13 illegal rents, I am looking at the issue of rents
14 being controlled and shelter allowance being given
15 across the board to those who do not require it in
16 a post-rent control era, which we are technically
17 under at this point. So, just by spreading it
18 across all of the rental market, I can't see the
19 point of it but be that as it may.

20 MR. JACKSON: I think what the
21 Minister is indicating is that buildings built
22 after 1975, those rents were in some fashion
23 illegal because they were closer to market value
24 rent and not ---

25 MR. CORDIANO: Read the press
release.

MR. JACKSON: I have read the press
release and it is not worth the paper it is written



1 on. It seems to be a tremendous amount of confu-
2 sion. Maybe not in the Minister's mind but
3 certainly in the mind of people who have had to
4 try and digest this document which refers to \$45
5 million savings for tenants across the province.
6 You indicate that you do not know the total number
7 of illegal rents in pre-1975 buildings, but that
8 you have a reasonable handle on the buildings that
9 were built and the rents charged in post-1975
10 buildings, and that the combination of those two
11 were, in the Minister's words, the rolling back
12 of illegal rents, which he found especially
13 objectionable conduct. I cannot be satisfied, or
14 I guess what the Minister is trying to tell us is
15 that those rollbacks in post-1975 buildings are
16 deemed to be illegal rents.

17 MR. REVILLE: Point of Order, Mr.
18 Chairman. It seems to me it is very unfair to ask
19 a deputant to comment on a document that he has not
20 studied, that is, after all, a Ministry of Housing
21 document, that has been produced for some
22 advertising purpose or other, and perhaps we can
23 discuss this at a later time.

24 MR. JACKSON: I think my question
25 was directed to the Minister. I was merely asking
if the deputant was aware that the Ministry had
made a statement that this document was going to
provide great financial relief to tenants.



1 MR. MacLENNAN: No, I was not.

2 MR. JACKSON: When you came before
3 us with the assumption that it offered some modest
4 relief for landlords—we seem to be miles apart
5 between the Minister and various deputants. That
6 was the nature of my question. Then I directed
7 it to the Minister for his response.

8 Hopefully, we will have an opportunity
9 to try and understand this document. It is
10 absolutely incredible the assumptions that are being
11 made in it.

12 THE CHAIRMAN: Are there any further
13 questions for Mr. MacleNNan? If not, Mr. MacleNNan,
14 thank you very much for your appearance before the
15 committee and your posing of the issue of
16 affordability and supply. It was put in a very
17 straightforward and stark way. Thank you.

18 MR. MacLENNAN: Thank you.

19 THE CHAIRMAN: The next and last
20 presentation of this afternoon is from Mastercraft
21 Development. Mr. Blumenthal?

22 MR. BLUMENTHAL: It is a pleasure
23 to see you here getting really involved in the
24 hearing of the committee, Mr. Minister. You do
25 not see it everywhere.

26 Mr. Chairman, respected Committee
27 Members, first of all, I would like to introduce
28 myself. My name is David Blumenthal and I am, in



Toronto, Ontario

1 addition to my position at Mastercraft's, I am
2 Vice-President of the Institute of Housing Manage-
3 ment, as well as past President of the Real Estate
4 Institute of Canada, Ottawa Chapter.

5 As representative here today of
6 Mastercraft Development corporation, I am speaking
7 on behalf of not only a private developer with
8 over three decades of experience in the industry
9 (adding over 4,000 units to the rental market in the
10 last decade alone), but also nearly 2,000 investors.
11 As Vice-President of Property Manager for Master-
12 craft, and with many professional affiliations, I
13 feel my remarks lend themselves to the general
14 feelings within the industry, particularly those
15 involved in syndication, limited partnerships, and
16 the individual investor. As an investor in rental
17 property, we have resented the intrusion into a
18 free market situation by government, starting in
19 1975. Obviously that was the prevailing feeling
20 among developer/investors as there was a sharp
21 drop in residential starts from 1975 onward, and it
22 was only the initiation of certain government pro-
23 grams in the exemption of post-1975 starts that
24 introduced any construction/investments at all, but
25 we realize that the prupose of your committee is not
to weigh the merits of whether or not to have rent
control, but to deal specifically with this bill.
Therefore, we will not impose upon your time in



1 damning rent control, even though it might make us
2 feel better.

3 This bill is being considered in a
4 worsening climate for investors in that post-1975
5 units are no longer exempted and there is no longer
6 the exemption window when the rents exceed \$750.00
7 a month. For developers to return to the rental
8 market, there must be some inducements and while not
9 very many are being offered, the main one would be
10 continuing with rent control in a less adversarial
11 climate.

12 One of the worst things about the
13 present procedures is the hearing process, where
14 the judgment of the hearing officer is quite often
15 influenced by the theatrics of those before him.
16 This encourages the tenant to try and paint the
17 landlord in a very unfavourable manner in order to
18 gain the sympathy of the officer, even though these
19 same tenants will then come to the landlord after
20 the meeting to say that he does run a good property
21 management operation, but "we do not want to pay any
22 more rent than we have to".

23 The application and processing
24 procedures proposed in the bill would put the process
25 on a much more businesslike footing, and tenants
must be made aware that we are running a business
like any other business. No one of us would dream
of walking into a supermarket and demanding that the



1 owner open his books for public scrutiny to justify
2 an increase in his prices - and food is just as
3 important a commodity as housing.

4 Another advantage in the bill is a
5 better understanding and procedure for some rate of
6 return based on specific situations. This has to be
7 an advantage. We can all recall a couple of years
8 ago when the rate of inflation was in the double
9 digits and landlords were held to only six percent
10 increases. Further, at the moment inflation fell
11 below ten percent our increases were reduced to four
percent.

12 A multitude of small investors have
13 been producing rental stocks because of certain tax
14 advantages. Bringing their units into a rent
15 control situation would turn off this flow of
16 investment. Unless the investor can be shown that
there is still a profit to be made.

17 The private sector cannot provide
18 accommodation at the very low end of the rental
19 scale. Unfortunately, that will have to be left
20 to government subsidized programs, but private
21 enterprise can supply the upper and high end of the
22 market, and a moderate vacancy rate is important
23 to the consumer whether the vacancy be at the high
or low end of supply.

24 I ask you, how many low rent housing
25 units could be realized utilizing money now funding



1 the cost of administration of rent control, the
2 Standards Board as proposed, the appeal process and
3 the Provincial and Federal Subsidy Program, such as
4 the Residential Rental Rehabilitation Program and
5 the Low Rise Rehabilitation Program.

6 To my mind, placing restrictive
7 controls on the high end of the market
8 serves little useful purpose. There is a consumer
9 market which cannot not only afford but demands this
10 type of luxury accommodation, and it is this type
11 of accommodation that comprised the vast majority of
12 private investment. It is reasonable to suggest
13 therefore that units with rents in excess of
14 \$750.00 be exempt from control.

15 Penalizing the entire housing
16 industry as well as every taxpayer in Ontario and
17 Canada, under the guise of protecting the
18 tenant's right to affordable housing, is not only
19 unfair to the property owner, but also to the
20 tenants who are being misled in the view that they
21 are being protected against gouging landlords.
22 Owners have long had to live with the "Scrooge"
23 image and while we are not an overly sensitive bunch,
24 we feel that this myth is not only perpetuated, but
25 also encouraged by the present legislation and our
politicians. Further, it distracts the public
from the more real need for government participation
in the area of low cost housing programs.



1 On the other hand, speaking as a
2 taxpayer, I am not at all pleased with the present
3 situation, feeling as I do that I am in part
4 subsidizing tenants in Ontario through the adminis-
5 tration of rent control, rent review and the system
6 of grants and subsidies. The fact that low income
7 renters do experience problems in finding affordable
8 housing is not denied, nor is the need for
9 development of long terms plans to deal with this
10 problem.

11 I again stress that this is a social
12 problem and should be dealt with appropriately by
13 all levels of government. Frankly, it seems more
14 appropriate to me to invest money into programs --
15 here than to subsidize high income rents through rent
16 controls. If government wishes to subsidize land-
17 lords or alternatively build and manage low rental
18 accommodation that is okay, but when 96 percent of
19 high income earners in Toronto earning over
20 \$40,000.00 pay less than 20 percent of their income
21 on rent, and 45 percent pay less than 15 percent,
22 while conversely, among low income earners, earning
23 less than \$19,000.00, 90 percent pay more than 25
24 percent, while 40 percent pay more than 36 percent,
25 who is benefiting from rent control?

 We must look at the alternatives to
meet the needs of the lower income families and
the economically disadvantaged through government



1 assisted programs. There is a whole spectrum of
2 options to be viewed. Is not the farmer subsidized
3 through the Milk Marketing Board, the Egg Marketing
4 Board and the Wheat Marketing Board? Throughout
5 the entire agricultural industry, it is the
6 producer of the commodity rather than the consumer
7 who is subsidized.

8 If we fail to stem the loss of
9 capital from the residential rental sector, if we
10 continue to ignore the legitimate needs of the
11 investing public, we will be faced with the loss of
12 billions of dollars of new investment capital. It
13 is the fervent hope of all of us that adequate and
14 affordable housing will be available to all. For
15 many of us, it is not only a hope, it is a goal to
16 which we are committed. Such a goal can only be
17 realistically achieved by acknowledgment of the
18 vital role of the investor/developer.

19 Realizing that rent controls are
20 something that we are going to have to live with,
21 the following are a few comments, which I wish the
22 Board to consider:

23 First, the need for full indexing
24 cannot be expressed strongly enough. Fundamental
25 to real estate investment is its perceived ability
to keep pace with inflation by virtue of rent
increases. At the very least, partial indexing,
as allowed under the Residential Complex Cost



1 Index must be retained.

2 Secondly, the rate of return
3 provisions set out in Section 77 must be allowed
4 to stand. Investors must have the opportunity to
5 earn competitive yields, if the industry is to
6 attract the capital it needs.

7 Although in principle, I oppose the
8 inclusion of post-1976 units under rent control,
9 our main concern here is to ensure the supply of
10 adequate and affordable housing. Adequate housing
11 will be available as long as the investor/developer
12 considers it financial viable, which is recognized
13 in Bill 51.

14 Affordable housing as stated earlier
15 can only be achieved through other means. It has
16 been shown over and over again that rent control
17 is not the solution. Therefore, I propose the
18 reintroduction of the exemption of the higher
19 priced units, i.e. over \$750.00.

20 Citing the Vancouver experience, where
21 ceilings were established, once the rent reached
22 these levels, the units were exempt from rent
23 control.

24 Also, a portion of capital expendi-
25 tures was immediately passed through to tenants,
which hastened the process and at the same time
encouraged the landlord to continually upgrade and
improve his property. The need for a residential



1 Rental Standard Board would automatically be
2 lessened. Once these units were exempt from
3 control, the forces of supply and demand would
4 ensure that the units were maintained at a certain
5 standard.

6 Bill 51 does provide for a simplifica-
7 tion of the rent review process, which respects the
8 integrity of the owner/landlord. This is definitely
9 a benefit which we support.

10 Another suggestion or recommendation
11 would be to develop a simple method for assessing
12 rental value per unit. I am thinking of three
13 possible areas from which figures could be obtained.
14 The most obvious being tax assessment. A yearly
15 value is placed on units for tax purposes.
16 Normally we are getting this after Christmas, which
17 makes the holidays a little better. This could be
18 utilized for rental increase purposes.

19 Or else one could look to replace-
20 ment costs, as appraised for insurance purposes.
21 As everybody knows, anytime we would like to insure
22 a property, the first question we have to answer
23 and the first thing we hear is we want to know what
24 the replacement cost is. Based on this, of course,
25 we can also establish the value of the building
and the unit we are renting. Also, CMHC has
determined figures for average market rents. These
rates are presently utilized for determining



1 amounts available to landlords as grants for
2 renovations from the federal and provincial govern-
3 ments, as mentioned earlier.

4 In commercial real estate, buildings
5 are classified as Class A, B, or C. Fair market
6 rents could be established for each size of unit,
7 within each class of building.

8 Ideally, each metropolitan centre
9 should be considered individually. The Toronto
10 situation is not the same as the Ottawa experience.
11 For example, the vacancy rate in Ottawa is
12 substantially higher than in other centres. I have
13 here a recent newspaper indicating signing specials
14 up to three to four months free rent, drastic rent
15 reductions and other inducements such as free maid
16 service, etcetera. These would not be necessary if
17 the rental market situation was tight. This is a
18 newspaper that -- just last weekend, we are talking
19 about September 13th. If the committee would like
20 to look at it, one can see all the free rents that
21 developers are offering.

22 One might also consider applying a
23 system rent payments similar to that applied to
24 commercial property, wherein a base rent is applied
25 to a unit and the tenant is then charged for his or
her share of all expenses, including a management
fee. Tenants would then be more attuned or aware
of the actual costs involved in running their



1 properties. We will not see those tenants leaving
2 their lights on throughout the night or keeping
3 the heating on when the windows are open to get
4 fresh air because they don't pay the heat and the
5 hydro.

6 This system is widely applied in
7 Europe, where it is applied only to existing
8 tenants. The base rent can only be changed when a
9 new tenant commences a tenancy. The older tenant
10 is protected, the landlord fully recovers his
11 expenses, and market forces of supply and demand
12 protect the new tenant.

13 Previously, I stated the view that
14 the owner/developer, investor is carrying on a
15 business. We are resigned to the fact that even in
16 our so called "free enterprise" system, we must, at
17 least temporarily, work under under some form of
18 government regulation.

19 Bill 51 does eliminate some of the
20 inequities of the situation but on the other hand,
21 tightens and extends the controls, rather than
22 provide for a gradual elimination of controls.

23 The single family dwelling, previously
24 exempt, has been included under the rent control
25 umbrella. The exemption of units over \$750.00 would
effectively eliminate a large majority of these
units, but I still feel these units should not be
included.



1 The Rent Registry under provision
2 of Bill 51 is another area to which I object, on the
3 grounds that it will be costly to set up and to
4 administer by both the regulatory agency and the
5 landlord. It should be studied more closely not
6 only from a cost effective point of view but also
7 with the question in mind whether this is not just a
8 political tool to satisfy a handful of voters.

9 We can live with this if we have
10 to. However, in terms of the deadlines imposed by
11 the bill, this should be extended. October 1st is
12 not a realistic date, especially in light of the
13 fact that the bill is still in its early stages and
14 may not be passed for months.

15 Furthermore, with the inclusion of
16 post-1975 units, under rent control, the effective
17 date should be the date Royal assent is given to
18 the bill and not sooner. We realize that advance
19 warning had to be given, but this committee is
20 holding hearings supposedly to learn the needs of
21 the public and then to propose amendments to the
22 bill, based on their findings.

23 If the bill is a fait accompli, why
24 are we sitting here?

25 With regard to the units already
under control, my view is that this bill treats the
landlord more equitably than previous legislation.

Such provisions as equalization of rents, the



1 streamlining of the whole rent review process, the
2 acknowledgement of the existence of chronically
3 depressed rents and the mechanisms to alleviate
4 these are all indications of this.

5 All landlords must make a profit.
6 This is what enables them to maintain the property,
7 which in turn benefits everyone concerned.

8 However, I am opposed to the concept
9 of "consultation" between the landlord and the
10 tenant on capital expenditures and maintenance
11 matters.

12 Communication and discussion "yes",
13 consultation "no". Some people would like to have
14 a better swimming pool, and to other people a
15 swimming pool is not so important. They would
16 like to have, perhaps, a better lobby. How can you
17 define what is important? Who is the judge that
18 will make the decision what is important or not?
19 I think we should rely on the landlord and developer
20 who will decide what is important for the building
21 to keep them at a normal and high standard.

22 I recognize sadly that our industry
23 has for the past decade been the victim of the
24 whims of changing governments. During the previous
25 government's term of office, the murb or housing
investment was the much touted tax shelter program
for the small investor. It was promoted and
encouraged as a long term investment, a sure thing



1 for the future. Their investment was responsible
2 for a sizable portion of the housing starts over
3 the last five years.

4 The time has come to demand some
5 recognition for the contributions we have made and
6 will continue to make. There have been abuses on
7 both sides, but we hope that Bill 51, in its final
8 form, will be a reasonable working document and a
9 stepping stone to better understanding and trust
between landlord and tenant.

10 Thank you.

11 THE CHAIRMAN: I have one matter for
12 you. The committee has a bill before it, but it
13 is not a *faite accompli* in the form that it is
14 presently before us because no committee of the
15 Legislature would accept the task of hearing public
16 hearings and going through clause by clause debate
17 if they could not amend the bill as they saw fit.
18 So, I can assure you that the government itself
19 has approximately 100 amendments, they tell us, for
20 this bill. I can also assure you that opposition
21 members will have some amendments, as well. So,
the bill is not a *faite accompli*. We would not
be dealing with it if it was.

22 Are there any questions from Members
23 of the committee for Mr. Blumenthal?

24 MS. GIGANTES: Mr. Blumenthal, if I
25 followed correctly, your overall approach is that



1 you do not like rent review but Bill 51 is not too
2 bad. You do like provisions for return on equity.
3 Mr. Greenberg from Minto Construction indicated to
4 use earlier today that he felt that it would be
5 possible for him to continue his building in the
6 rental market, although it seems the firm is
7 directed towards the high income end of that rental
8 market now.

8 Will it be possible for yours?

9 MR. BLUMENTHAL: First of all, Ms.
10 Gigantes, I can perhaps compare it if you have a
11 choice between having a simple cold or pneumonia,
12 I would prefer the simple cold. That is the
13 situation we have here. I prefer to be healthy and
14 to have no rent control period, but with a simple
15 cold I can live with and perhaps see that some day
16 it will be cured.

16 We know there are reasons and
17 certain regulations that -- you know, we feel that
18 Bill 51 is a step forward to recognize certain
19 areas which were kind of ignored before. Now, I am
20 talking more on behalf of the small investor. I
21 am not talking on behalf of those people that
22 perhaps in one case, one building that is running
23 at a loss would be kind of helped by another building
24 which is subsidized and which makes a profit. Even
25 being involved with Minto for quite a few years, I
think that Mr. Greenberg, his opinion should be



1 most appreciated and he is saying it on behalf of
2 12,000 units. I am speaking on behalf of the small
3 investor, the person off the street, the doctors
4 and civil servants, those people that perhaps
5 invested the \$5,000.00 or \$10,000.00 or \$15,000.00
6 by buying a MURB unit. I am talking about those
7 property owners that, perhaps ten or fifteen years
8 ago, purchased a building and hoped that when the
9 time comes to retire, this will be their life
saving and this will pay back.

10 I don't think that I have to go into
11 details because I think this part was already
12 talked about so many times that it is just a
13 repetition. We know that there are good aspects
14 to rent control and we know there are negatives.

15 Now, definitely we should look at
16 it from the point of a social program because this
17 is what we feel, from the investment point of view,
18 that it is the duty of the government to provide
19 social programs, social housing and provide --
20 you know, we are speaking here as private enter-
prise vis-a-vis social housing.

21 MS. GIGANTES: You referred to a
22 comparison with the Rent Registry and other forms
23 of price controls. For example, the food industry?

24 MR. BLUMENTHAL: Right.

25 MS. GIGANTES: But is it not true
that food producers get a fixed price as in rent



1 review?

2 MR. BLUMENTHAL: I don't think so.

3 MS. GIGANTES: The Milk Marketing
4 Board pays ---

5 MR. BLUMENTHAL: I don't think so,
6 because I think, for example, if my wife bought
7 whatever product it was -- as a matter of fact, in
8 case a question of this kind what have come up, I
9 would have brought it as an example, that she went
10 to the supermarket two weeks ago and bought a
11 product that she paid today about 20 percent more
12 than she paid about four months ago.

13 MS. GIGANTES: That is retail.

14 MR. BLUMENTHAL: I am speaking retail.

15 MS. GIGANTES: That is a price
16 fixed by the Milk Marketing Board, for example.
17 Would you say that the turnover in your rental
18 property is as high as 30 percent as Mr. Gould
19 suggested?

20 MR. BLUMENTHAL: Averages 35 percent,
21 right.

22 MS. GIGANTES: How, then, can tenants
23 make sure that under rent review they are going to
24 be paying a legitimate rent when properties are
25 turning over that frequently?

26 MR. BLUMENTHAL: You see, you didn't
27 ask where those 35 percent of the tenants are
28 going. In Ottawa, for example, you will find them



1 in the new construction. We are making a survey
2 where the tenants are leaving. And we find ---

3 MS. GIGANTES: Yes, but there is
4 a large turnover so there is a large re-rental to
5 new tenants in any given period. How do the new
6 tenants know what the rent should be without a
Rent Registry?

7 MR. BLUMENTHAL: I think that there
8 are records that the landlord or the management
9 company has. In principal, I am not speaking
10 against the registry, I only say it will be a
11 landlord and tenant's nightmare. It will create ---

12 MS. GIGANTES: There is a nightmare
13 now, Mr. Blumenthal, where the landlord knows what
14 the rent was that the last tenant was paying, but
the tenant does not.

15 MR. BLUMENTHAL: If you will read
16 my brief, you will see I am not, in principle,
17 against it, I am just kind of warning that it will
18 be a nightmare and it will be a costly nightmare.

19 MS. GIGANTES: Thank you.

20 THE CHAIRMAN: Mr. Blumenthal, thank
21 you for appearing before the committee.

22 MR. BLUMENTHAL: Thank you very
much.

23 THE CHAIRMAN: Members of the
24 committee, we will adjourn now until seven and the
25 room will be somewhat secured, but there is going



1 to be some chairs brought in, so if you have anything
2 of great value, such as the Minister's press release,
3 you might want to take it with you.

4 We are adjourned until seven o'clock.

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6 --- Adjournment

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8 --- Upon Resuming

9 THE CHAIRMAN: The Resource Develop-
10 ment Committee will come to order. May I, first of
11 all, welcome the crowd here tonight. My congratu-
12 lations to the tenants and organizers of the meeting
13 who have encouraged you to come out here. We are
14 always pleased when we get this size of a crowd to
15 one of our committee meetings.

16 Our first presentation is from the
17 Federation of Ottawa-Carleton Tenants' Associations.
18 Mr. McIntyre, if you would introduce yourself and
19 your group, we can proceed with the first presenta-
20 tion.

21 I should mention that two people
22 aren't here tonight, Mary Hogan and Bill Grenier,
23 co-Chairpersons of the Rent Review Advisory
24 Committee over here.

25 MR. MCINTYRE: Good evening, Mr.
Chairman. First of all, on behalf of the tenants
of Ottawa, I want to welcome all of you to Ottawa.



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3 We are very happy that you are here to listen to us.
4 We also want to welcome the Ministry staff, who I
5 have grown to know and, I will not say love, but
6 like a lot in the last few months. My friends,
7 Mary Hogan and Bill Grenier, and Robert Allen is
8 also here from out of town, and we welcome all of
9 them.

9 A special welcome to you, Mr.
10 Curling. It is always a pleasure to see you. We
11 tenants in Ottawa do believe you want to do the
12 right thing for tenants and we are always happy
13 to dialogue with you anytime.

13 If I could shamelessly point to the
14 audience for a minute, we apologize that we seem
15 to be turning our backs on you, but in our minds,
16 the most important people in this room tonight are
17 the tenants of Ottawa-Carleton who have turned out
18 in good numbers and we really appreciate their
19 being here.

20 I am uncharacteristically nervous
21 tonight. My name is Dan McIntyre, I am the
22 Executive Director of the Federation of Ottawa-
23 Carleton Tenants Associations and also a Member of
24 the Rent Review Advisory Committee. I would like
25 to introduce my colleagues to you. On my far left
is Mr. Kevin MacDonald, co-Chairman of our Board of



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3 Directors and also Chairman of our Political Action
4 Committee. To my immediate left is Mr. Fred Gloger,
5 a Member of our Board and Political Action Committee,
6 and also the author and editor of the Ottawa
7 Tenant's Guide, a very highly recommended booklet on
8 tenants rights. To my right is Janette Hamilton,
9 a Member of our Political Action Committee and our
10 French Language Media Coordinator. Miss Hamilton
11 will be making some remarks en francaise tonight
12 because, in this city, we believe that is very
13 important. To her right is Mr. John Dickie, a
14 Member of our Political Action Committee and legal
15 counsel to the Federation on rent review matters.

16 Before we get into our brief, I just
17 want to warn you that at the end of the brief, Mr.
18 Dickie and I will be offering a few additional
19 remarks, rebuttals, if you will.

20 If I can now turn it over to Kevin
21 and, hopefully, we will not mess up the sound system
22 too badly.

23 MR. MACDONALD: The Federation of
24 Ottawa-Clarleton Tenants Associations is the
25 democratic voice of tenants in Ottawa-Carleton.
Established and incorporated in 1982, we have demon-
strated a consistent interest in the reform of rent
regulation. We work with about 40 area Tenant



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3 Associations and we offer service to the 115,000
4 rental homes in our region. Funding is received
5 from the City of Ottawa and the Regional Municipality
6 in recognition of the service required in the
7 community.

8 From our beginning, we have been
9 active in putting forward the tenant point of view
10 to the public and to the government. Even before
11 the establishment of The Commission of Inquiry
12 into Residential Tenancies (the Thom Commission),
13 we had presented the government with our views on
14 the rent review system of the day.

15 The Thom Commission gave this Feder-
16 ation a greater opportunity to present our idea.
17 We appeared before the Commission for nine days of
18 testimony and argument. We put forth a 109-point
19 brief and several witnesses. We were a significant
20 factor in obtaining from Mr. Thom, a Phase One
21 report that was, on balance, very favourable to
22 tenants.

23 During the 1985 Provincial election
24 we distributed a 21-point questionnaire to all local
25 candidates. Four of our Tenant Associations hosted
all Candidate meetings.

We followed, with interest, the
changing of the government and the substantial



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3 promises made in areas of concern to tenants. We
4 were pleased to take part in extensive consultation
5 with the new government during their first few
6 months in office.

7 We reacted favourable to the Assured
8 Housing for Ontario announcements last December.
9 We applauded the establishment of the Rent Review
10 Advisory Committee and the appointment of our
11 Executive Director, Mr. McIntyre, to that committee.

12 Since last December, a Federation
13 committee has been actively following the progress
14 of the Advisory Committee. Our Committee has been
15 regularly provided with copies of minutes, reports,
16 position papers, and analysis of the Rent Review
17 Advisory by Mr. McIntyre at various meetings.
18 Because of this, we have all had special insight
19 into the proceedings and Mr. McIntyre has had the
20 benefit of other thoughts and reactions, as well.

21 During the months of March and April,
22 we took several initiatives around Bill 78 (now
23 Bill 51). In addition to devoting our newsletters
24 to the bill, we sent the Minister a series of
25 letters outlining our views, and we have held four
public meetings to inform tenants on what was
happening and to solicit their reactions.

General. As a general overview on



1
2 Bill 51, the Federation views the Residential Rent
3 Regulation Act is a disappointment. The Government
4 has enacted some promises, but has brought in a bill
5 that will mean rents will increase more than
6 necessary.

7 Landlords should be able to make a
8 profit (as they do) and they should be able to
9 adequately recover legitimate cost increases (as
10 they have and will) in the future. Tenants should
11 be able to continue to live in their homes knowing
12 that rent increases will be reasonable and fair
13 and that their housing should become more affordable
14 rather than less.

15 Tenants have demonstrated the need
16 for a rent registry and there will finally be one.
17 Tenants have demonstrated the need for mechanisms
18 to deal with "costs no longer borne" and we now
19 see some measures for this. Tenants have demon-
20 strated the need for permanent and extended rent
21 review and this is finally happening. Tenants
22 have also demonstrated the need to have rent review
23 work towards the retention of affordable housing
24 by having only necessary increases passed on, but
25 this legislation, because of the formulae for
Statutory increases, we perceive as a failure.

26 Rent Registry. We are at last to
27 have a rent registry. It is unfortunate that a



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3 rent registry is necessary because of the abuses
4 of the current law by many landlords. The days of
5 raising rents illegally will soon be over. This
6 particular registry gets a mixed review.

7 We are pleased that rent review
8 orders will be used to determine legal rents. We
9 are pleased to see a two-year appeal period on
10 registered rents. We are pleased to see sanctions
11 against non-compliers.

12 However, we are concerned about the
13 delay in registering units of less than seven
14 ~~units and the similar delay in registering rooming~~
15 houses. We are dismayed that landlords will be
16 allowed to keep illegal rents collected before
17 August 1, 1985. Many of our members consider this
18 legalized theft. We call for the publishing of
19 target dates to ensure all units are registered as
20 soon as possible. We also call for the deletion of
21 Section 63(1), which sanctions the keeping of
22 monies collected illegally from tenants prior to
23 August 1, 1985.

24 Rent Review for Post-1975 Buildings,
25 in relation to the extension of rent review to all
buildings is very welcome. Tenants in these
buildings will have increased security of tenure
and a degree of certainty on rent increases.



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3 Unfortunately, those rent increases will be very
4 tough to take, given the generous allowances on
5 rate of return. We recognize the need for rate of
6 return to encourage new construction but there are
7 a lot of tenants in post-1976 buildings waiting
8 for a 4% increase that will never arrive. Some of
9 them should be realistically expecting increases
10 of greater than 15 percent.

11 Regarding administrative review and
12 appeals, we are not yet prepared to endorse
13 administrative review as opposed to the previous
14 hearing system, but we are prepared to keep an
15 open mind and see how it works. Therefore, we
16 will not be proposing any specific changes to the
17 procedural aspects of the bill. We do trust
18 that the rights of tenants to organize and partici-
19 pate in the system are not only maintained but
20 will also be strengthened. We urge the government
21 to help us educate tenants as to the workings of
22 this new system.

23 On the question of capital costs, the
24 Residential Tenancies Act and the Residential
25 Tenancy Commission have had a rather generous way
of treating capital costs which has resulted in
more rent increases than necessary to cover capital
expenditures.



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3 It will give bonus add-ons for
4 management costs and administrative costs. It
5 will institutionalize so called "sweat equity".
6 It will be more than generous in allowing notion-
7 alized interest where no actual cost was incurred
8 often as a result of built up profits. It will
9 continue to use amortization periods that are too
10 short and that ignore the "pattern of activities
relating to the residential complex".

11 However, the most distasteful aspect
12 is its refusal to properly treat costs no longer
13 borne. The case for costs no longer borne is
14 irrefutable. Once an improvement is paid for, it
15 is blatantly unfair to have the tenant continue
16 to pay for it over and over gain. The RTC has
17 been commendably following a practice to remove any
18 capital cost incurred from their calculation in
19 determining the pass through of that cost when it
20 recurs. The new system contemplates allowing 20
21 percent of the previous cost to stay in the rent
22 and it continues to ignore the situation where a
23 cost does not need to be dealt with at a subsequent
24 review either by reason of guidelines absorption
or the landlord never recurring the cost. Even
25 worse, all capital costs incurred before August 1,
1985 will stay on the rents forever.



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3 To illustrate the gross unfairness
4 of these capital costs forever, the following
5 example. A capital expenditure that cost
6 \$10,000.00 (including interest) and is allowed
7 prior to August 1, 1985 and is considered to have
8 a "life expectancy" of ten years will cost the
9 tenants \$12,475.00 over those ten years, if the
10 guideline annual allowance is five percent and there
11 are no further rent review awards. This continues
12 on the rent though so that after 20 years, allowing
13 for a notional five percent annual increase, the
14 tenants will have paid \$32,965.00 and after 30
15 years, \$66,426.00. It should be noted that if the
16 landlord does redo the capital expenditure, then
17 the tenants will be paying for two of the same
18 thing. Is this system fair? Is it just?

17 Section 47 of the bill states: "Every
18 decision of the Board shall be upon the real
19 merits and justice of the case." The allowances
20 for capital expenditures will not be on the real
21 merits and justice of the case.

22 As a further note on costs no longer
23 borne, it is about time that there will be
24 provision for costs no longer borne for financing
25 costs but it is disturbing that they will not
apply to costs incurred prior to August 1, 1985.



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3 However, at least the use of August 1, 1985 is only
4 unfair, and not unjust, as it is in capital costs.

5 MR. GLOGER: Before I start, can
6 everyone hear?

7 I want to talk briefly about
8 chronically depressed rents. The government intends
9 to rescue landlords with so-called chronically
10 depressed rents by having the tenants come up with
11 more money. But we in the Federation ask: What
12 are we doing for the 33,000 tenant households in
13 Ottawa-Carleton that have an affordability problem
14 already? Many of these households are going to
15 lose even more ground if landlords receive this
16 gift.

17 The Residential Rental Standards
18 Board. That could have been the best part of the
19 bill. But we are distressed that a proposed
20 government amendment will insert the word "minimum"
21 to describe the standards with which this board
22 will be concerned. This means that the overall
23 effect of Bill 51 is that tenants will pay more
24 rent with no measures for better maintenance
25 except for improvements in areas where there is
no maintenance. For many tenants in units covered
by the Residential Tenancies Act, they are getting
nothing from this bill. We want to get what we



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3 pay for since we will paying plenty for it. We
4 want rent review to work where there have been
5 declines in the standards of maintenance or in
6 service. We call for no rent increases for land-
7 lords who are in violation of orders issued by
8 this Standards Board.

9 I want to touch briefly on
10 Ministerial responsibilities. Section 11 and 12
11 may be the second-best part of the bill. We
12 are particularly interested in the "active role
13 in insuring that landlords and tenants are aware
14 of the benefits and obligations established by
15 this Act". We believe that the best people to
16 advise tenants are tenants, and that the best
17 people to advise landlords are landlords. Regard-
18 less of any political stance taken, organizations
19 like ours and the Federation of Metro Tenants
20 Associations, as well as bona fide landlord groups
21 like Fair Rental Policy, would be the best vehicle
22 to ensure the Minister meets his responsibility
23 in this important area.

24 Unfortunately, there are some that
25 the bill misses altogether, concerning long
standing tenant grievances. For example, when
rent review allows an increase for financing costs,
the tenant gets nothing but a rent increase. This



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3 is not dealt with in the bill. The previous law
4 gave consideration to landlord harrassment,
5 Section 123(d) of the Residential Tenancy Act, and
6 to representative actions. But this bill does not.
7 Also, why is there no consideration of interest
8 to the tenant when a landlord is caught collecting
9 illegal rents? Tenants have to pay interest on the
10 capital expenditures, why not the landlord on
11 illegal rents? What about a rent review cost for
12 tenants? We pay for the landlord's costs through
13 our rent.

14 However, the worst part of the
15 bill is the statutory increases. Guideline
16 increases for rent review in Ontario have histori-
17 cally, according to the Thom Commission, averaged
18 75 percent of inflation. In order to maintain that
19 average, we would need, under this formula, an
20 inflation rate of 24 percent. Nobody wants that.
21 The guidelines should be flexible, it should
22 adequately cover normal operating cost increases,
23 and it should provide a cushion for the landlord.
24 This formula does all three but that cushion is
25 far too plush. The two-thirds of the Building
Operating Cost Index is fine, but allowing two
percent further for pure profit is excessive. We
are talking here, we must remember, about a



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3 minimum guideline increase that a landlord can take
4 whether he needs it or not. We are talking about
5 a system with all kinds of other ways to get even
6 more.

7 In 1985, all three political parties
8 promised the guideline would become four percent.
9 The government delivered, although that may be
10 temporary. A guideline that moves up or down with
11 inflation is a good idea. But inflation has not
12 gone up and the guideline apparently will, very
13 drastically. We call for an amendment to the
14 guideline formula that would be fair to both
15 tenants and landlords. Operating costs generally
16 are no more than 60 percent of revenue. An
17 apartment renting for \$500.00 a month can expect
18 operating costs of no more than \$300.00 per month.
19 If costs go up by five percent to \$315.00, then
20 the landlord needs only a three percent increase
21 to bring the rent to \$515.00 to stay even. Anything
22 more than that is a gain to the landlord, but we
23 do not object to some gain.

24 If the guideline was set at 75 per-
25 cent of inflation, then in the above case the
guideline would be 3.8 percent and the rent would
go to \$519.00. The landlord's operating profit
would go from \$200.00, that is 500 minus 300, to



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3 \$204.00, 519 minus 315, for a gain of two percent
4 on operating profit alone. The fact that other
5 costs, such as a mortgage, are fixed means an
6 even greater percentage increase on net profit.
7 For example, if the mortgage cost is \$100.00 per
8 month, the profit increases from \$100.00 to \$104.00,
9 or four percent. If the mortgage is \$150.00, the
10 profit increases from \$50.00 to \$54.00 or eight
11 percent. That seems fair to us. Remember that
12 increases in other costs, such as financing, can
13 still be generously passed through.

14 Affordability is where, in our view,
15 the bill really breaks down. We would like to
16 demonstrate the negative impact on afford-
17 ability in this bill, using six hypothetical but
18 realistic scenarios. In all cases, we are
19 assuming a cost in inflation rate of 4.5 percent
20 and therefore using a guideline of five percent.
21 We are also assuming that income will increase
22 equal to inflation, which I might add for tenants
23 is quite a generous assumption. Tenants income,
24 on average, have been increasing at less than that.

25 Case 1: The rent is \$500.00 per
month and the tenant's income is \$2,000.00 per
month and, therefore, rent is 25 percent of income.
Over the next ten years, the landlord only takes



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3 the guideline increase. After those ten years, the
4 rent will be \$816.00, income will be \$3,107.00
5 and with only minimum increases, rent is 26.2 per-
6 cent of income.

7 Case 2: The scenario is the same
8 as Case 1, but the building is sold and the landlord
9 goes to rent review in the third and fourth year
10 and receives a modest 10 percent increase. In
11 this case, after ten years, the rent is \$910.00
12 while the income is still \$3,107.00 and the rent
13 becomes 29.3 percent of income.

14 Case 3: Rent equals \$600.00;
15 income equals \$2,000.00; rent is 30 percent of
16 income. As in Case 1, the landlord only takes
17 statutory increases. After ten years, rent equals
18 \$981.00; income equals \$3,107.00; and rent is
19 31.6 percent of income.

20 Case 4: Same as Case 3, but again
21 building is sold and the landlord goes to rent
22 review in the third and fourth year and receives
23 a modest ten percent increase. After ten years,
24 rent equals \$1,076.00; income equals \$3,107.00; and
25 rent is 34.6 percent of income.

Case 5: Rent equals \$400.00;
income equals \$1,000.00; rent is 40 percent of
income. As in Cases 1 and 3, the landlord only



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3 takes statutory increases. After ten years, rent
4 equals \$653.00; income equals \$1,504.00; rent is
5 43.4 percent of income.

6 Case 6: Same as Case 5, but again
7 the landlord goes to rent review in years three
8 and four, and receives modest ten percent awards.
9 After ten years, rent equals \$716.00; income equals
10 \$1,504.00; rent is 47.6 percent of income.

11 These cases show the loss of
12 affordability that will occur yet in none of the
13 cases did we use examples where larger rent increases
14 are awarded or there are more frequent rent review
15 awards. This is to show the effect of modest rent
16 increases. The results would be much worse if we
17 factored in capital cost awards, or awards for
18 extraordinary operating cost increases, or so
19 called chronically depressed rent allowances, or the
20 real effects of costs no longer borne.

21 These cases also demonstrate
22 regressiveness as bad situations become worse. Over
23 time, many tenants would be forced to move and try
24 to find, if at all possible, more affordable
25 accommodation.

Obviously, as well, the housing has
aged and yet in relative dollars, it has become
more expensive as it has become older and naturally



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3 deteriorated. Vacated units would not be attain-
4 able by lower income people. Incoming tenants
5 would have to be from a higher income bracket.
6 This is senseless.

7 We have used a constant inflation
8 rate that might be reasonably anticipated. We
9 know that the problem demonstrated is less acute
10 at higher inflation rates. But higher inflation
11 rates have their own set of problems and in the
12 context of today's modest inflation, this proposed
13 system is obviously wrong.

14 We should not assume that incomes
15 will keep pace with inflation. There are
16 wage restraint programs, the Ontario government
17 employees only got 4.2 percent while average wage
18 increases have been about 3.5 percent, federal
19 budget measures which particularly affect lower
20 and middle income earners, and unemployment
21 continues to be a problem.

22 We appreciate that the government
23 is initiating more non-profit housing units. But
24 even if Ottawa were to receive 1,000 rent geared
25 to income units annually, it would take 33 years
to solve the current problem.

As mentioned, there are 33,000
tenant households in Ottawa-Carleton now having an



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3 affordability problem. Why should a rent regula-
4 tion system make their problem worse? Why should
5 we add more households to the problem? Why should
6 we negatively impact on all tenant households
7 with even the minimum increases?

8 Tenants want a review system that
9 works. Rent regulation should ensure adequate
10 increases to cover the cost of maintenance and
11 operating. This bill goes too far in taking
12 money from tenants and giving it to landlords.

13 Before I finish, I just want to
14 point out to you that committee members -- I am
15 not going to read through all of our suggested
16 amendments here, but I want to point out a few of
17 the key ones.

18 The first one is in Section 14, which
19 we propose should be left exactly as it is. We
20 should not be talking only about minimum maintenance
21 standards, we should be talking about good mainten-
22 ance standards and that is what the Maintenance
23 Board should be about.

24 Section 55(b) (a). The Rent Registry
25 should cover units in buildings of less than seven
units as soon as possible and the government should
come out and tell us when they are going to
register those buildings.



We would like Section 3(1) deleted.

That is the section which takes away from tenants increases that were illegally taken from them prior to 1985. That, in our view, is nothing better than larceny.

Section 68 (1)(b). Change Schedule A by deleting (a) and inserting 0.75 times the percentage increase in the three-year moving average of the Building Operating Cost Index. In other words, the guideline should be at 75 percent of inflation, not two-thirds plus two percent.

Section 72. Add a section to properly deal with all capital costs no longer borne. As Kevin mentioned, tenants are required to pay over and over again for capital costs, and this should cover awards since 1979, not just those since 1985. And it should take the full cost out of subsequent rent increases.

Section 75. The Minister should also consider, in talking about capital costs here, where the funds came from accumulated profits. If they did, they should disallow interest on that basis.

Finally, Section 88, concerning chronically depressed rents, should be deleted. We already have a section in the bill that deals with genuine hardship cases and that is where it should end.

Thank you very much, and I will turn the microphone over to Janette Hamilton.



take 2

Sept.18

JANETTE HAMILTON,

FEDERATION OF OTTAWA-CARLETON TENANTS'
ASSOCIATION:

Pour le bénéfice de tous les locataires francophones de la région Ottawa-Carleton, je vais faire un résumé bref présenté par Kevin et Fred.

Comme Kevin a dit au tout début, nous parlons au nom d'une quarantaine d'associations de locataires (115,000 maisons/loyers dans la région).

En général, nous sommes déçus, malgré les promesses du gouvernement, parce que les loyers vont être trop augmentés.

Nous faisons, comme vous allez voir à notre brochure, la dernière page par en arrière, nous faisons cinq (5) suggestions au gouvernement, je vais les résumer:

1.- De maintenir la directive de révision des loyers à soixante-quinze pour cent (75%) du taux de l'inflation;

2.- Nous demandons au gouvernement de ne pas accorder de prévisions spéciales pour les loyers dits *chronically depressed*;

3.- Nous demandons au gouvernement de trouver un système plus juste aux locataires pour le traitement des dépenses d'immobilisation;

4.- Nous demandons de s'assurer qu'il y aurait des normes de maintenance avec la prévision que l'on n'accorderait pas aucune augmentation de loyer aux



take 2

Sept.18

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propriétaires qui ne respectent pas les ordres de la Commission.

5.- La dernière suggestion que nous faisons, c'est de permettre aux locataires de recouvrir tous les loyers illégaux et non pas juste ceux ramassés depuis le 1er août 1985.

Alors, au nom des locataires francophones de la région d'Ottawa-Carleton, je vous remercie de votre attention à nos inquiétudes.

MR. DICKIE: Good evening, I have just a brief word about capital expenditures.

Government representatives have put forward to this committee that the proposed Bill 51 treatment of capital expenditures will result in tenants paying less for capital improvements in the long run than they are paying now under the Residential Tenancies Act. We are specifically referring to the dialogue contained in Hansard on August 19 in the afternoon sitting at Page RR31.

Actually, the proposed system for capital expenditures no longer borne will cost tenants significantly more in the long and short run.

Currently, the RTC practice is given in Rent Review Guideline RR3 which states:

"Generally, once an allowance for capital expenditures is allowed, it is incorporated into the rental



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3 structure and that same capital
4 expenditure will not again be con-
5 sidered in a subsequent rent review."

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7 In other words, the Residential
8 Tenancy Commission is indicating that 100 percent
9 of the recurring expenditures should be taken out
10 because the necessary revenue is already incorpor-
11 ated in the rent base. These guidelines are, of course
12 not binding. However, they do indicate the opinion
13 of the Board of Commissioners and are generally
14 followed. I can cite to you two actual cases where
15 this practice has been followed. There are others
16 that I have, two by way of specific example.

17 The first is an Order by Commissioner
18 Sprague dated November 5, 1985, in the matter of
19 2090 and 2116 Nippewa Street and 271 Lockhart Street,
20 Ottawa. On Page 24 at Paragraph 56, the Commis-
21 sioner had this to say:

22 "Finally, I have noted that of the
23 capital expenditure allowances made
24 by Commissioner Leduc in 1982 --
25 that is three years previously -- the
allowances made relating to the
painting of balconies and rent review
fees were calculated to provide a



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3 recovery of the total cost of
4 \$24,850.00 over three years through
5 an annual allowance of \$11,087.00
6 which included an interest factor.
7 Those three years have now passed
8 and the original cost should now have
9 been recovered. Consequently, the
10 allowance made for those costs should
11 be removed from the rent structure.
12 While there has been a change of
13 owners since the previous allowance
14 was made, I do not believe this has
15 any relevance to this question as
16 the rents run with the building and
17 not the owner. As a result, in
18 calculating a rent increase, the
19 Commissioner allowed certain increased
20 costs and then deducted that amount
21 of \$11,087.00 to determine the net
22 rent increase justified."

23 That was a decision of Commissioner
24 Sprague of the Ottawa office.

25 The second example I have is an Order
of Commissioner Menard of the Ottawa office dated
April 24, 1986, in the matter of 1801 Riverside



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3 Drive, Ottawa. At Page 11, Paragraph 57 of that
4 Order, the Commissioner says this:

5 "As indicated in Paragraph 62 below,
6 \$1,266.00 in capital expenditure
7 allowances was made for a series of
8 repairs which have now been fully
9 recovered. The residential portion
10 of this allowance is \$1,278.00. Since
11 the project cost for which this
12 allowance was meant to compensate
13 has now been fully recovered, there
14 is no reason in law or equity for
15 perpetuating this allowance and, as
16 such, it will be removed from the
17 rents. "

18 Again, in calculating the rent
19 increase, he allows increases and
20 then deducts that amount to come up
21 with a net total rate increase. We
22 know of no Commissioners who do not
23 now follow this practice. It
24 certainly is the practice of Ottawa
25 are Commissioners.

Now, the vast majority of
capital expenditures approved by
rent review prior to August 1, 1985,



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3 have not yet occurred. By their very
4 nature, they are good for more than
5 one year and since we are now in 1986,
6 they can't have occurred. Bill 51
7 will not allow these items to be
8 removed. It will not give even the
9 80 percent a cost no longer borne
10 treatment. Thus, tenants will be
11 forced to pay those costs over and
12 over again as demonstrated in our
13 brief. Even if this current RTC
14 practice were not being followed,
15 the proposed treatment of capital,
16 the 80 percent treatment, fails on
17 the basis of fairness. Landlords
18 will reap a windfall and tenants
19 will lose.

20 MR. MCINTYRE: The point I want to
21 address by way of rebuttal actually relates to the
22 Minister's announcement this afternoon, which
23 caught us a little bit by surprise, but not much,
24 given the Assistant Deputy Minister has been putting
25 forward that theory that rents will actually
increase less under this bill than they have in the
past. The Assistant Deputy Minister did so in an
article published in the Toronto Star on the 13th of



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3 this month. He also did so in an exchange with
4 Eleanor Mahoney of the Parkdale Community Legal
5 Services on September 3rd at this committee. Based
6 on those, we had already prepared a rebuttal to
7 that and the Minister's announcement, while we are
8 flattered that he chose Ottawa to make the announce-
9 ment, certainly this will apply because we consider
10 that suggestion that rents may be lower under this
11 bill to be merely a theory and, well, before
12 dealing with those merits of that government theory
13 which you know I am leading to disagreement on, I
14 would suggest that none of the tenants or landlord
15 members of the Rent Review Advisory Committee would
16 agree that rent increases will be lower under this
17 system. I can say that for sure for the nine
18 tenant members and I do not believe that the land-
19 lords would have signed the RHAC Report if they
20 did not think things would be better for them
21 financially. I have a great deal of respect for
22 those men's mentality.

23 The government argument seems to
24 rest on the removal of illegal rents and that
25 landlords do not necessarily take the guideline
increase. My colleagues have suggested I am
dealing with these in the wrong order but perhaps
this is reverse order.



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3 The illegal rent argument is in our
4 view a red herring. The government wants the
5 credit for the establishment of a Rent Registry.
6 I don't blame them. But, frankly, we don't think
7 anyone at Queen's Park deserves too much credit
8 for the Rent Registry since the thing is now seven
9 years overdue and was an election plank of all
10 three political parties. In our view, the real
11 credit for the Registry belongs to tenants and
12 landlords. Tenants for continuing to demonstrate
13 the need and keeping it on the political agenda
14 over these long seven years, and the landlords,
15 the ones who have blatantly cheated the system,
16 making the Registry the least a government could
17 do.

18 I hasten to remind Members that it
19 is going to be some time before all rental units
20 are registered. We still have no idea whether it
21 will be this decade, this century or whatever, for
22 the sixes and unders, and for the roomers and
23 boarders who have long needed some protection.

24 Secondly, this system will quickly
25 forgive most of the sins of the past. I agree
that illegal rents will not occur frequently once
our Registry is established. But it is fallacious
to use past illegal rents to try and minimize the



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3 effect of higher future legal rent increases. The
4 government's suggestion that average increases may
5 be below the statutory guidelines is untenable. I
6 keep hearing stories of kindly benevolent landlords
7 giving tenants a break on the guidelines. I don't
8 doubt there is the odd isolated case of this
9 happening, but I haven't seen one example in five
10 years of experience working in this field of a
11 landlord taking any less than they could.

12 The guideline is also now, without
13 doubt, the minimum, underlying minimum, legal rent
14 increase because the Registry will deem a guide-
15 line increase as the legal rent increase. In other
16 words, our rare landlord friend who may give a
17 tenant a break is only giving the tenant a stay of
18 that increase. It is fully recoverable in this
19 system.

20 The guideline affects virtually
21 every rental unit. The proposed guideline is
22 undeniably higher and, therefore, rents will be
23 higher, rent increases will be higher. So, without
24 doubt, this system will mean a large transfer of
25 income from tenants to landlords. We have a much
higher guideline, a much more generous treatment
of capital expenditures, a slightly more generous
treatment of financing costs, the return of relief



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3 of hardship, the addition of chronically depressed
4 rents, and probably the way operating costs will
5 turn out to be a saw-off, it won't go either way.

6 My friend, Mr. Church, indicated
7 in the Star that he had found nine rent increases
8 of over 50 percent and that won't happen or can't
9 happen under this system. There is a difference.
10 I agree that increases of over 50 percent will not
11 likely happen, but I would suggest that would be
12 a result of political will. However, a 50 percent
13 increase that could happen under the old system,
14 could happen with Bill 51. I do agree with Mr.
15 Church in his comments in the Star that you can't
16 put an accurate figure on the total loss to
17 tenants. We are making no attempt to do that. The
18 only possible exception to that is the guideline
19 where, by our rough calculations, a one percent
20 addition is worth about \$60 million annually to
21 landlords, and two percent is worth about \$120
22 million. That is all coming from tenants. Bear
23 in mind that the effects of any rent increases
24 are cumulative as one rent increase builds on
25 another.

Bill 51, without doubt, will cost
tenants more. The bill is wrong and we ask you
to fix it. Thank you.



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3 THE CHAIRMAN: Thank you, Mr.
4 McIntyre. A very comprehensive and thoughtful
5 presentation.

6 We have some questions from Members
7 of the Committee. Mr. Jackson?

8 MR. JACKSON: Thank you, Mr. Chairman.
9 First of all, Dan, I would to commend you and your
10 group for a well organized brief. It contains
11 clear recommendations clause by clause at the end.
12 We have received over 130 briefs and it is always
helpful to receive it in that form.

13 My first question is, given that we
14 have had this brief for one month, has the Ministry
15 staff been able to check out the numbers and the
16 projections that are contained within and they find
17 no dispute with them? I would hate for us to get
18 into a big discussion about numbers contained in
19 the report if we can establish at this moment that
20 everyone agrees that they are not in question. Has
that exercise been done by the Ministry staff?

21 MR. LAVERTY: Are you referring to
22 the six hypothetical examples that the Federation
has put forward?

23 MR. JACKSON: Yes, I believe there
24 is one other reference. Page 3.

25 MR. LAVERTY: With regard to the



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3 hypothetical examples, given the assumptions that
4 the Federation has made, we do not disagree with
5 the analysis. That is, if you assume that the
6 guideline is higher than the average income increase,
7 then it follows inevitably that the rent to income
8 ratio would increase. It is a mathematical truism.

9 MR. JACKSON: I think you said yes.
10 So we are not disputing those numbers. I wanted
11 to establish that before we get going here.

12 My second question was going to be
13 whether or not you believe that rents would increase
14 at a more rapid rate under the proposed bill in
15 comparison to the current legislation? I believe
16 you answered that in a clear and forthright manner.

17 I have a question
18 for you with respect to the reference -- I am aware,
19 as every Member of the Committee is, that you did
20 not sign the final agreement or understanding or
21 memorandum or however we are going to refer to it.

22 MR. McINTYRE: Report.

23 MR. JACKSON: Report. All right.

24 I consider it a negotiated document so ---

25 MR. McINTYRE: I don't.

26 MR. JACKSON: All right. I want to
27 ask you about the fact that the bill does nothing
28 in a measurable way for replenishing or stimulating
29 low income housing, the 3,000 units that have been



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3 drawn into question, It has become the practice for
4 this committee, whenever a Member of the RHAC
5 Committee is before it, to pursue very briefly what
6 your understanding is of the -- I have heard
7 everything from a promise by the Minister for
8 3,000 units to it was discussed very briefly but
9 nothing significant was decided with respect to it.

10 Could you clarify for the record
11 what your understanding is of the commitment for
12 3,000 subsidized units of new construction immed-
13 iately?

14 MR. MCINTYRE: Yes. The tenant
15 Members of the Advisory Committee constantly
16 discussed the supply issue, both at the low -- well,
17 more at the low end than the high end. That would
18 be our prime concern. I would say probably all nine
19 Members of the Tenant's Caucus believe very
20 strongly in a higher public commitment to non-profit
21 housing. This particular government has done more
22 in this area than was the case in the past.

23 When the agreement -- excuse me,
24 report, was being put together, we got indications,
25 albeit rather quickly, of how much the Ministry
people felt might be the maximum that the govern-
ment could go to in terms of being able to bring
onstream and the number that came back was 3,000.



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3 units per year. Based on that, we assume that they
4 would move relatively quickly. We are not naïve,
5 we realize there is a budgetary process and that
6 it might take some time to work through the system.
7 We know there is a demand out there. We know
8 there is a lot of non-profit and cooperative groups
9 ready to get involved in this kind of housing.
10 However, it was disappointing to learn that the
11 Treasurer has only put this in the budget for 1991,
12 which we found was totally unacceptable, because
13 the need is now. I mean, there are people out
14 there who can't afford current rents. This bill
15 would raise the rents higher. They should be in
16 non-profit housing and they should be getting this
17 help now. I realize there is some practical
18 problems, but that was extremely crucial to us, that
19 those units came on as fast as possible and as
20 expeditiously as possible.

21 MR. JACKSON: Two very quick
22 questions. I will ask the one that Mr. Reville is
23 fond of asking RHAC Members. If you do not get
24 this 3,000 unit commitment, what are you going to
25 do about it?

MR. MCINTYPRE: Well, I understand
that my friend, Miss Miatauris, made a representa-
tion on Tuesday night and told the committee



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3 exactly how she felt about it. Basically, we are
4 into the realm of politics and we have to publicly
5 express our feelings about it. Perhaps, in terms
6 of RHAC, my negotiating position, if you can call
7 it that, is a little weak for not signing the
8 report but basically it was part and package of what
9 was supposed to happen if that report were to be
accepted by the government.

10 MR. JACKSON: My final question has
11 to do with the reference to Section 11 and 12 which
12 you felt were, I think you stylized it as positive
13 elements of the bill. I believe you were present
14 in Toronto when we spent considerable time
15 discussing with the Legal Community Group, Hamilton,
16 the points you raised. But I wonder if you could
17 help the committee to understand what you envisage
18 as this advocacy role, if I can read between the
19 lines here, for groups such as your own or the
20 Legal Community Services in Hamilton, to assist
21 tenants in this process? Could you please just
illustrate that a little more clearly for the
committee?

22 MR. MCINTYRE: It may take a little
23 longer answer than you want. The history of this
24 thing is that way back in the early 1980's we had
25 a thing called the Landlord/Tenant Advisory Bureau.



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3 Subsequently, that was taken over as a function of
4 the Residential Tenancy Commission. Around that
5 same time, our organization was just starting up
6 and one of our immediate concerns was we didn't
7 feel it was right, Point 1, for the organization
8 that would eventually decide what the legal rent
9 increase would be to be put in an advisory position.

10 Secondly, with exceptions, and
11 certainly not trying to paint a broad brush here,
12 we generally were not happy with the performance
13 of the Tenancy Commission in this particular area.

14 Thirdly, it is our belief, as
15 perhaps you can relate this to yourself, that when
16 someone wants advice, whether it is a legal matter,
17 tenant matter, or whatever, they prefer to go to
18 a friend and someone that they trust. We believe
19 that a neutral body tends, both sides tend to think
20 they are on the other side and that the best thing
21 to do would be to have tenants look after them-
22 selves by establishing organizations like ours that
23 would provide a resource to the community. We do
24 this now, but we are not able to do it on any great
25 scale. We handle in the area of 2,000 calls a year
for help. We believe that is what tenants want.
They want to turn to a friend, they know that the
friend is on their side. Obviously, we can't



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3 advise them wrongly because you are not being a
4 friend if you do that.

5 Unfortunately -- not unfortunately
6 at all, but the money for that kind of service has
7 not before come forward. This bill has indicated
8 there may be grants coming forward to tenant and
9 landlord groups. We believe an informed landlord
10 is a better landlord as well, in order for them to
11 provide these services. And tenants can be more
12 self-reliant in that respect. We need some
mechanisms for funds.

13 MR. JACKSON: Thank you very much. I
14 believe we are going to be spending something like
15 \$10 million just in refining this new process. It
16 would be kind of nice if, out of that process, we
17 found a role for the very groups you are referring
18 to so that funding can come to help continue the
19 advocacy process. Possibly you may want to
20 respond, at some future date, whether or not
21 increasing the advocacy role compounds the adver-
22 sarial nature of the process. That is always the
23 fear that people have. But I will not take up any
24 more of the committee's time in that area. However,
25 I would like to pursue it with you further because
I do believe there is a role for the advocacy
groups.



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3 MR. MCINTYRE: Well, I agree with
4 that. Let me just say that the intention of the
5 Minister has always been to bring in a less adver-
6 sarial system and we certainly can concur with
7 that wish. However, I think sometimes what he
8 really may mean or what the government may mean is
9 getting rid of the rancor and bitterness and
10 distress in a landlord/tenant relationship. I
11 think, from time to time, it is absolutely necessary
12 that landlords and tenants take an adversarial
13 position, putting forward their views, confronting
14 each other, in order to work towards a reasonable
15 solution, fair to both sides. For that you need
16 equality of sides. You can't simply say that
17 landlords and tenants are going to be in a love-in.
18 I have come to know many landlords, I enjoy their
19 company, but from time to time I prefer to take
20 the stance on the other side of the fence from
21 them.

22 THE CHAIRMAN: Mr. Gordon?

23 MR. GORDON: Mr. Chairman, may I,
24 first of all, express to Mr. McIntyre my admiration
25 in the sense that he sat on the RHAC Committee and
then decided this was not in the best interests of
tenants and walked away from it.

MR. MCINTYRE: I walked away from



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the report.

MR. GORDON: Yes, I understand that. You did walk away from the report, which was not fair to the tenants of Ontario. As I say, I admire you for that.

I must also say that I am not going to comment on the Minister's press release today wherein he said that tenants in Ontario would be only paying, on average, 4.7 percent increase when we know that below the guideline they are going to be paying up to 5.5 percent, about the guideline they will be paying 5.5 percent to 7.5 percent and above the guideline they are going to be 7.5 percent plus.

What I would like to ask you is, I am a little bit mystified by the fact that we know that, as you said, all three parties indicated, in one way or another, that they would come forward with some form of Rent Registry after the provincial election. Yet the tenants, who sat on the RHAC Committee, have agreed to a bill that is going to mean significant rent increases, supposedly so that we will have up to 3,000 new affordable housing units in this province. Why should the tenants of Ontario be expected to pay higher rents in order to provide housing units that will not turn



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3 up until 1991, and the homeowners should virtually
4 not be expected to do that at all? I mean, why
5 are the tenants on RHAC doing this?

6 MR. MCINTRYE: Well, I think I will
7 leave the answer to that as it is obvious that my
8 position is that we should not have a system that
9 does that, that increases rent increases quite
10 drastically, particularly in relation to tenant's
11 incomes. I would prefer not to comment on the
12 other eight signatories to the agreement because
13 I know them all well, they are all my friends,
14 and I know they are very talented, dedicated
15 people who believe when they add up the pluses and
16 minuses of that report that it was an equal report.
17 When I added it up over some time, I found that it
18 was inequal. I know that my colleagues are very
19 frustrated now by the delays apparent in the
20 3,000 units, the delays perhaps warranted because
21 of other circumstances, the security of tenure for
22 roomers and boarders, the possible watering down or
23 ineffectiveness of a maintenance board which we
24 all considered very important in that it would
25 provide tenants with more value for their rent
irrespective of how much the rents should be.

I am also quite aware of the fact



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3 that in Toronto and in other cities that there was
4 a real crisis looming in terms of the loss of
5 affordable rental housing to other means. To that
6 end, I do not in any way criticize the eight other
7 people on the Tenant Caucus. They made their
8 decisions in good conscience and I will leave it
at that.

9 MR. GORDON: Let me put it to you
10 on this basis. Who would be responsible, then,
11 for providing affordable housing in this province,
12 the tenants of Ontario by paying higher rents
because of Bill 51, or would it be the government?

13 MR. MCINTYRE: Well, it could be
14 flippant to say, but it looks like the tenants
15 are paying for unaffordable housing in Ontario
16 right now. The government, if I can dare to quote
17 Bill Grenier, since he is in the room, and other
18 landlords, they have never pretended that they are
19 going to be able to build housing that will suit
20 low income people. Although they can build it,
21 they just can't operate it and make a buck. That
22 has to come from the public sector. That has now
23 been recognized widely within the industry itself.
24 So, we have a low — so we have a housing crisis
at the low end of the market.



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3 The resources are there to do it.
4 It is a productive way to spend money. The money
5 comes back in the rent, no one is saying people
6 will live there for free, and it will put some
7 people to work building much needed affordable
8 housing. And it may help make some of the mid-
9 income housing more affordable, as well, at the
 same time.

10 I think your point is that there
11 is no point in all tenants paying higher rent
12 increases to achieve this goal, and I agree with
13 that.

14 MR. REVILLE: Thank you very much
15 for your presentation. It was nice of you to
16 drop in with a few of your friends this evening.
17 Evelyn has been razzing me a lot about how much
18 more together the Ottawa tenants are than the
19 Toronto tenants. I think your brief is excellent.
 Do you have a copyright on this or can I use it?

20 MR. MCINTYRE: Well, I think we
21 underestimated the crowd and I think everyone in
22 the crowd has one, so you can't have another one.

23 MR. REVILLE: I have two, actually.
24 I have sat on three sets of public
 hearings this year on major pieces of legislation.



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3 There seems to be a buzzword for each bill. The
4 Bill 30 buzzword was "Pandora's Box". The Bill 94
5 buzzword was "Draconian". The Bill 51 buzzword
6 seems to be "delicate balance". Seventy-four
7 landlord groups have used the words "delicate
8 balance" in presentations. Obviously, you did not
9 sign the report, so you did not think the delicate
10 balance was worth as much as the others did.

11 MR. MCINTYRE: I didn't think it was
12 a balance.

13 MR. REVILLE: Right. Your brochure,
14 which again I find excellent, identifies at least
15 five major problems with the bill. I know this is
16 difficult but if you had your druthers and you
17 could only get one or two changes, which one would
18 you pick?

19 MR. MCINTYRE: Well, there are two
20 changes, and this is a personal opinion at the
21 moment because the Federation has laid out its
22 policy on this and we are not looking for compromise.
23 We believe the changes we propose in their entirety
24 would bring about a fair Rent Review system.
25 However, if I have a shopping list, which may be
the type of question, it would seem to me that
there is no possibility of this bill being accepted



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3 in this tenant community without a substantial
4 change to the guideline formula and to get rid of
5 the obvious unfairness of the way capital expen-
6 ditures are being treated. That does not mean we
7 don't have major concerns about chronically
8 depressed rents which we seem to be moving very
9 quickly on. It took us years to get a Registry
10 but we seem to move very quickly on the chronically
11 depressed rent thing. We are concerned we really
12 haven't done any original thinking on the treatment
13 of financing costs. When the building changes
14 hands, the tenants get a rent increase but nothing
15 for it. At least with a capital improvement, you
16 get a new roof or a furnace or something. So, we
17 are concerned about that.

18 There are other things, as we have
19 laid out. Certainly the allowance for operating
20 would have to be changed relative to the guidelines.
21 I am forgetting something and somebody will pick
22 me up on that.

23 By the way, could I put in that,
24 first of all, the pamphlet that you described was
25 done by my friend, Mr. Gloger. This is very much
a team operation. I just tend to talk a little
more.



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3 MR. REVILLE: Well, congratulations
4 to your team and to you.

5 In terms of the guideline, because
6 you mentioned that first, the RCCI formula that
7 we have had explained sort of in your view is too
8 rich and you have recommended something quite
9 different. I think maybe the Federation of Metro
10 Tenants agrees with you on this. I am not sure
11 if I recall that exactly, but you are suggesting
12 three-quarters, three-year running average of
BOCI, period?

13 MR. MCINTYRE: Yes.

14 MR. REVILLE: When you are
15 calculating that, what have you used for BOCI
16 on the three year running average?

17 MR. MCINTYRE: Well, our work-ups
18 are based on the fact that we do have figures for
19 1984 and 1985 and some for -- well, no, we don't
have any figures for 1986, just a general --

20 MR. REVILLE: When you say "we",
21 who do you mean?

22 MR. MCINTYRE: The Federation. We
23 have worked these things out and, frankly, in
24 discussion with all sorts of other people, including
25 advisory committee people. My guess is that the



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3 three-year moving average for BOCI will come in
4 at 5.1. The Committee will know the government
5 has not announced this yet, so it's all just a
6 guessing game.

7 MR. REVILLE: I have been after the
8 Minister to say what it is, but he won't.

9 MR. MCINTYRE: Given a 5.1 BOCI
10 index, our formula would bring the guideline in
11 around 3.8. Under the proposed formula it would
12 be 5.4. So, in our view, the guideline is out by
13 1.6 percent under current times which is probably
14 in the area of, well, given a rough calculation
15 before, close to \$100 million transfer of income
16 from landlords to tenants -- or tenants to land-
17 lords and it is not necessary.

18 MR. REVILLE: The 3.8 that you
19 suggest would be a lot closer to people's wage
20 increase, too, I guess?

21 MR. MCINTYRE: Yes. I have been
22 watching various little things in the Star and
23 elsewhere. Union settlements have averaged 3.5
24 to 3.7 over the last few periods, wage settlements,
25 and, of course, many people, particularly people
in the audience tonight, have their incomes
indexed to the cost of living and can expect no



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3 more than a four percent income increase.

4 MR. REVILLE: You have dealt with
5 the operating costs allowance at rent review by
6 going to .6 of BOCI which generates what, about
7 3.1?

8 MR. MCINTYRE: Yes. If BOCKI was
9 five that would be three.

10 MR. REVILLE: So you agree, then,
11 with the thrust of the bill which is to try and
12 take the operating costs' nightmare out of the
13 rent review system? You seem to be going along
14 with that thrust? You just lowered the numbers.

15 MR. MCINTYRE: I would distinguish
16 between "agree" and "accept". We have come to
17 accept it. I have come to accept it. Again, we
18 are taking a wait and see attitude on some of
19 these things. It seems to me that does have to
20 be monitored because if you have a standard
21 operating cost, there is an incentive to take
22 your allowance and pocket a few bucks and cut
23 down on the maintenance. We were hoping the
24 maintenance board might deal with that. We're
25 not sure it will.

MR. REVILLE: As I have thought
about this guidelines, and I remembered the



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3 election promises, I have a suspicion that a lot
4 of tenants in Ontario are kind of wondering why
5 it is not four percent. That was a number that
6 was easy to remember and is easy to understand.
7 It is probably much easier to understand that than
8 your suggestion of .75 three-year running average
9 of BOCI. I mean, that is a bit long to say.

10 I want to throw something at you
11 and see what you think. What if we amended the
12 bill, what if we could amend the bill to, say,
13 four percent guideline but when you go to Rent
14 Review you take your .6, three-year running
15 average of BOCI. That keeps one half of your
16 proposal but not the other?

17 MR. MCINTYRE: What I might suggest
18 would be an equivalent or different approach to
19 that, because the concept of the guideline taking
20 a jump up when inflation is up and coming down when
21 it's coming down is, I believe, a reasonable
22 concept. However, as people are aware, inflation
23 has not gone up since the four percent was
24 announced. So, wouldn't it make sense to come up
25 with a formula that brings you at four percent to
start with but then, as time goes on, if inflation
goes up, the formula would drag the guideline up,



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3 and if inflation goes down, the formula would
4 drag the guideline down. But the formula is
5 something that would come up to four percent. That
6 is .2 above our policy, but it would make more
7 sense than to suggest that we need a formula. What
8 the formula is implicitly saying is that four per-
9 cent was wrong because inflation has not changed
10 and will change the guideline. I don't believe
11 four percent is wrong. I think, if anything, it
12 was too high.

13 MR. REVILLE: One of the amazing
14 features, according to the government, of the
15 RCCI formula is the cross-over theory, which has
16 never made any sense to me, but just so that people
17 understand what it is, when inflation is below six
18 percent, the guideline is a bit above inflation.
19 When it is above six percent, the guideline is
20 below inflation. This is the second invention
21 after sliced bread as far as the government is
22 concerned.

23 How do you feel about the cross-over
24 theory? Is it exciting to you or not?

25 MR. MCINTYRE: No, it never has
been. In the sense that our fundamental position
is that as housing becomes older it becomes more



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3 affordable. That goal cannot be reached in the low
4 inflation period with the cross-over formula. In
5 fact, the guidelines should always be below the
6 level of inflation and we say it over and over
7 and over again, because it's got to be remembered
8 when we talk about six percent in the past or four
9 percent or 5.4 now or 3.8, whatever we are talking
10 about, we are talking about the absolute minimum.
11 The landlord will always have the opportunity, when
12 there are other justifications, to go for more. It
13 makes no sense for tenants to lose ground on a
14 minimum rent increase. To stray afar, I heard a
15 report recently that the CRTC is considering going
16 to a procedure where cable rates can be raised
17 up to 80 percent of the rate of inflation without
18 a hearing. Before, you would have to go to a hear-
19 ing if you want to raise it a dime. So that is
20 where they are moving to. We are moving up, up
21 and away.

22 MR. REVILLE: Now you have me
23 worried about my cable.

24 MR. MCINTYRE: Perhaps you will put
25 together a committee.

MR. REVILLE: Just be careful when
they start talking about delicate balance. Those



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3 are all my questions, Mr. Chairman.

4 MS. SMITH: I want to thank you
5 also for a very excellent presentation. I think
6 we all recognize that this is an imperfect bill
7 and an imperfect world and, like you, I wish we
8 could have a perfect world and perfect bill. But
9 I think we look at it and try and see what can be
10 done this year to correct many things that have
11 gone wrong, and there are several things that
12 have gone wrong.

13 Now, my question would be this.
14 In the first place, I think in looking at the bill,
15 we knew there were some things that we could do
16 and some things that we could not do. I think we
17 looked very strongly, tenants, landlords and
18 government being all together in this, to bring
19 some fairness into the scene which means what we
20 have seen today in talking about bringing in the
21 people who have been getting away with murder
22 and charging illegal rents and so on, to try and
23 put a stop to such things like that, and key
24 money, as well. I think certainly one of the
25 things I feel very strongly about the bill is
movements. I feel that is something that is
essential to the tenants in looking at it. I



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4 think there was a third factor, too, and that was
5 the alarm and concern generally felt throughout
6 all groups, that nobody is building rental housing
7 anymore and we are in a crisis and it's getting
8 nothing but worse because no private money was
9 going in and the recognition that probably public
10 money couldn't do it all unless you did away with
11 almost every other social program you had. It
12 would be so huge a thing, as to completely give up
on private money.

13 One of the objectives of the bill
14 was to try and bring in more private money. Would
15 you agree with that? Just as one of the objectives?

16 MR. MCINTYRE: Yes, I would,
17 particularly the rate of return concept which you
18 notice we have not had a lot to say about. If
19 this will help bring in buildings off the high end,
20 removing a perceived obstacle to building, then
21 the bill is fine in that area. The landlords on
22 the committee indicated that ten percent would be
a fair rate of return, long term Canada bond
rate plus one for the future.

23 MS. SMITH: We have to look in a
24 sense at the whole package. I guess they have said
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the whole thing was fair.

MR. MCINTYRE: There seems to be a theory that I don't subscribe to that a higher guideline will mean more building. I think that is wrong.

MS. SMITH: Now, it seems to me, and I may be pessimistic in this, that in order to accomplish that third factor of getting some more money into building, we are almost bound to further aggravate an already serious problem of affordability. The whole package of assured housing is a package and I think the tenants recognize this, too, that we could not look at this alone without looking at the whole package rather than just a piece of it. Because affordability, because of the problem of an inflationary world makes the affordability a problem. As your cases very well demonstrate.

MR. MCINTYRE: Just for example, an apartment building on Clearview Avenue in Ottawa, the fact that they are going to have to pay more rent if this bill passes, there is not that much material to be gained by the fact that there is a luxury high rise built somewhere else.

MS. SMITH: No.

MR. MCINTYRE: And that is the



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3 dichotomy here.

4 MS. SMITH: I completely agree with
5 you and what you are saying, but this is only
6 looking at a part of the parcel. I could not agree
7 more that we have a major problem still to look
8 at in affordability and assured housing, and good-
ness knows, it is a big task ahead of us.

9 MR. MCINTYRE: I agree with that,
10 but why make the problem worse with the rent
11 regulations system and that is what this bill is
12 doing.

13 MS. SMITH: We will certainly look
14 very closely at all the points you have raised.

15 I had a couple of particular
16 questions to ask you because they concern me, too.
17 This business of minimum standards, this was raised
18 by Mr. Gloger. I do not care whether the word is
19 in or out, it is merely a case of interpreting
20 words. If I had the words "minimum standards" in
21 there, I would assume it is like minimum anything
22 else, that those minimum standards are going to
23 be agreed upon and the only reason you would have
24 "minimum" in there was to emphasize that you could
25 not fall below that. Obviously you could do more
than that if you wanted to, but you would never



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3 be permitted to fall below that,

4 I am wondering if you are inter-
5 preting -- interpreted that way, I do not think
6 anyone would object to it. I am wondering if you
7 are interpreting it -- and I do not know what is
8 intended by the group because we have yet to hear
9 from them -- but I am wondering if you are
10 interpreting minimum standards as we now understand
11 them as being Health and Fire Standards? Is that
12 the way you interpret that?

13 MR. GLOGER: Well, I understand the
14 Maintenance Committee will be drafting guidelines.
15 However, since the enforcement, by and large, is
16 going to be delegated under the bill to municipal-
17 ities, it would seem that the municipalities that
18 already have property standards by-laws in place,
19 that that is about all they are going to get. The
20 only real sanction that is there against landlords
21 who do not comply is that they do not get an
22 increase above the guideline. Now, when the guide-
23 line increase is already so rich, I do not see that
24 as very much of a deterrent.

25 MS. SMITH: That is a separate
point. Let's just look at the minimum first,
because the minimum is very important to me, too.



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3 If I interpreted it as you do, that
4 in any place that has whatever minimum they have,
5 that becomes the minimum for the province, I would
6 also share your concern. So I am simply saying
7 we have not got the report back yet but I certainly
8 will be watching also to make sure that minimum
9 is defined in a way that is what it should be, a
10 minimum that is acceptable. The only reason it is
11 there is to say you just cannot go below that
12 although you certainly can go above it. That is
13 what minimum means to me.

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15 MR. GLOGER: It could mean barely
16 habitable.

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18 MS. SMITH: It would be to me a
19 provincial minimum that these people are working
20 on and I do not want to pre-judge what that is.

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22 MR. DICKIE: The point, though, I
23 think, is that even if minimum standards extend
24 to something beyond fire regulations, the thinking
25 behind minimum standards is that no landlord
anywhere can go below them. What we thought the
key in this Rental Standards Board was that it
would prevent the landlord from having a good
standard of maintenance and going to a poor one.
All the minimum standard does it prevent any



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3 standard from going to a very poor one. The
4 tenants that I represent very often are generally
5 in buildings which have a very good standard and
6 over time it has slipped to a good standard and
7 they want at least to be able to keep a good
8 standard. They don't want it to go any lower.
9 When you combine that with the guidelines -- I
10 might ask the question, who is going to police this
11 minimum standard?

12 MS. SMITH: I think that is a good
13 question which has also not been worked out. It
14 is suggested it will be the municipalities, but
15 since we had not worked out anything, the details
16 are yet to be worked out. Basically, the
17 standards themselves are the important thing.

18 MR. DICKIE: Well, the standards
19 themselves and the fact they are meant to preserve
20 what the tenants have in the building now which
21 is what they will be paying for under the guideline
22 increase and under the operating allowance. When
23 there is a standard operating allowance, there will
24 be no measurement of the fact that maintenance
25 costs have gone down. Whereas now, under Rent
Review, you can't stop it but at least you can see
it and prove it in costs. But with a standard



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3 operating allowance in Rent Review, there needs to
4 be some other check on the maintenance standard
5 within the building. We thought this was it but
6 if it goes to minimum standards, it will not be
7 in at all.

8 MS. SMITH: Well, as I say, I hope
9 that is just an interpretation of a word. We will
10 certainly be watching this. Once again, it is
11 coming from the committee that is supposed to have
12 a good tenants' representation on it, so I am not
13 going to pre-judge it until I see it. But I am
14 very glad to hear your points of view so we know
15 what we are looking at when it does come forward.

16 MR. GLOGER: One other point on
17 that is that delegating it to the municipalities,
18 the record so far of municipalities, as I see
19 them working in enforcing property standards, is
20 that they have been primarily seen as a vehicle
21 for gently nudging landlords into slightly better
22 maintenance so that the property values of the
23 surrounding properties do not go down. They have
24 not been seen as an effective way of keeping up
25 maintenance for tenants. That is one reason I
have very little confidence that a Maintenance
Board that delegates most of its responsibilities



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3 or enforcement mechanisms to the municipalities will
4 be effective.

5 MS. SMITH: Well, believe you me, I
6 have been on city council and I share your concern
7 that if the city does it, they do it in the spirit
8 of this bill, not in the spirit of past minimums
9 which are, as you say, more related to fire and
10 health hazards. So, I think where it is done is
11 not so material as the fact that it is something
12 new and done in keeping with this rather than
anything of the past standards.

13 MR. REVILLE: Can I have a supple-
14 mentary on that when you are finished on the
15 minimum standards?

16 Has the government indicated to you
17 that they are going to move amendments to add two
18 levels of penalty to Section 15, a stayed penalty
and a forfeit penalty?

19 MR. MCINTYRE: I should know this
20 because I have seen what the -- yes, you are quite
21 right, Section 15(6) and (7) will insert stay and
22 forfeit provisions although when they might deem
23 that to happen, I don't know. I can tell you
24 without getting into any detail whatsoever that
the Maintenance Board is a very hot topic of



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3 discussion at the Rent Review Advisory Committee
4 right now and we will have to see where that one
5 lands.

6 MS. SMITH: I appreciate having
7 talked to you. I think what you have said is true,
8 that we are trying all to move to adversary not
9 angry discussions and I think, like so many things,
10 that obviously nobody is going to be 100 percent
11 happy but let's hope we are making progress.

12 THE CHAIRMAN: The next question
13 comes all the way from Thunder Bay and Mr.
14 Hennessey.

15 MR. HENNESSEY: I would just like
16 to say that I thought you made a very excellent
17 brief and covered quite a few points. I think it
18 one of the better briefs we have seen. I guess
19 you know as well as I do that the reason why we
20 are here is because the NDP and the PC party would
21 not support the bill in its present form.

22 I would just like to ask you a
23 question. In view of the unfair position that the
24 tenants are placed in now with Bill 51, would you
25 not think the only fair thing to do would be to
scrap the bloody bill?

MR. MCINTYRE: At the risk of losing



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a round of applause ---

MR. HENNESSEY: Well, you have got a lot of applause, I am entitled to some.

MR. MCINTYRE: For one thing, Bill 51 contains a Rent Registry. It is just so desperately needed that we want something done on that immediately. What, I guess, our position is, is that Bill 51 is in need of major surgery. That is as opposed to destroying it and starting with a blank piece of paper. Now, that major surgery, I guess you people will be the doctors for it.

MR. HENNESSEY: Well, as far as I am concerned, I will not support it unless it treats the tenants more fairly.

MR. MCINTYRE: We appreciate that comment and we think if you look at some of our suggested requirements to make the bill fair, that that goal can be accomplished within Bill 51.

MR. HENNESSEY: Thank you.

THE CHAIRMAN: Thank you, Mr. Hennessey.

The last question is to Ms. Gigantes.

MS. GIGANTES: Essentially, what you have been describing is a housing market where there are two levels when you get to rentals. At



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3 one end is affordable rentals and at another it is
4 high cost rentals. What you are telling us is
5 that it does not matter what you charge at the
6 affordable rental levels as the landlord, that does
7 not produce necessarily affordable rental housing,
8 so you have got to split those two notions?

9 MR. MCINTYRE: Yes.

10 MS. GIGANTES: If landlords are
11 allowed to charge higher rents in the affordable
12 rental stuff we have, they may go out and build
13 more expensive rental housing ---

14 MR. MCINTYRE: Theoretically ---

15 MS. GIGANTES: --- not necessarily
16 affordable?

17 MR. MCINTYRE: Theoretically
18 increased profits, maximum profits may be used to
19 fund new building.

20 However, and I do not mean to
21 reverse too many of my landlord friends here, but
22 they have been pointing out that most of them are
23 not builders, they are small landlords, so you
24 are looking at a regulatory system.

25 Now, that being said, the investor
type builder, the entrepreneur, for example, Bill
Grenier, is going to sit down to look at, well, can



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3 I put up this product, rent it at a price and make
4 a buck? It is not necessarily going to be a
5 factor that another building is not making big gobs
6 of money. He is going to be looking at what that
7 building, the possibility of building a building
8 in LeBreton Flats in Ottawa might do for him. If
9 it is going to make a dollar, he is going to
10 build. But there is a lot of other factors besides
11 rent review and rate of return come in, including
12 the cost of building, the cost of borrowing and
13 all that stuff. So, it is a much more complicated
14 question than that.

15 Raising the rents on the standing
16 rental units in Ottawa-Carleton or throughout the
17 province is not going to, in itself, make any
18 real impact on building new apartments.

19 MS. GIGANTES: Really, you would
20 look to government policy and public support for
21 community based housing to meet the need for new
22 rentals at the low end of the market?

23 MR. MCINTYRE: Yes, quite so. And
24 again, when we talk about non-profit housing, we
25 are talking about non-loss housing, housing where
the investment money of the taxpayer comes back
in the form of rents.



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MS. GIGANTES: I would like to pick up one point. I think there was one phrase that Mr. Gloger used which indicated that a number of housing units were being allocated under government housing policy and were designed and put up, construction started up this year and it was 743. But of those units which are non-profit units, probably only about 45 percent will actually be rent geared to income? The rest will be low and middle ---

MR. McINTYRE: So, in fact, we are only around 300 to 400 RGI's. One of the speakers to follow us is Dorothy O'Connell, who is a long-time champion of tenant rights and I am sure she may have something to comment on that, as well.

You know, we have gone to an integrated system. There is lots of debate on that. But we have to get to the RGI component up. It is really those people that you are serving, but of course the people paying market rents help to carry the things. It is a good legitimate debate.

MS. GIGANTES: Thank you very much.

MR. GORDON: One short question.

Again, I have to confess to being mystified. Why



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3 would tenant groups in Ontario, not all but some,
4 wish to accede to a bill that is going to
5 increase their rent significantly, depending upon
6 whether you are post-'76 or pre-'76 buildings, when
7 as a matter of natural justice things like cost
8 no longer borne would have to be acceded to by a
9 government? It is just not fair to keep charging
10 tenants over and over again for capital costs.
11 Why would you want to allow the landlords to get
12 increased rents above inflation for things like
13 rental registry when it is quite clear to those
14 of us, many of us who are politicians, that
15 government has reached the stage where they have
16 to accede to these kinds of requests by tenants?

16 MR. McINTYRE: Well, one thing
17 to clarify, Mr. Gordon, is this. No tenant group
18 that I know of is supporting this bill in its
19 present form. Every major group that has come
20 before this committee has opposed it in one form
21 or another. Some have called for its removal and
22 we don't agree with that. We think it needs
23 surgery. So, it was not tenant groups who --
24 that's why it wasn't a negotiated agreement,
25 because there was no provision for ratification.
Had there been, it's my feeling, very strong



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3 feeling, that it would never have been ratified.
4 As a negotiated agreement. Therefore, it is a
5 report of a committee of 18 people.

6 I want to say that it has been my
7 pleasure to serve the Minister in this area, but
8 much of that report has a lot of positive things
9 to say. Some of the trade-offs to me personally
10 are acceptable but I think it is ultimately the
11 tenants of Ontario that either have to accept or
12 reject the package. I think you are getting a
13 clear message about where the tenants of Ontario
stand on this package and on this bill.

14 THE CHAIRMAN: We are running almost
15 an hour behind so I am going to ask the Minister
16 if he wants to say a word before we call the next
presentation.

17 MR. CURLING: What I want to say is
18 just thank Dan for an excellent presentation, along
19 with the Members of your committee. I think that
20 you see the approach of the committee here, you
21 know the extensive work we have gone through, and
22 you also know that you are one of the few, or
23 maybe the only person that has seen both sides of
24 it, seen the RHAC Committee work very hard to
25 come up with what is here. My colleague said that



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3 this is not an ideal world and it is not an ideal
4 bill, but again I want to say thank you and thanks
5 to your group for coming out here tonight and
6 making a presentation.

7 MR. MCINTYRE: Thank you, Mr.
8 Minister. I do want to say, perhaps to the
9 chagrin of some of my colleagues, perhaps not, but
10 it is still my belief that setting up the Advisory
11 Committee was and is an excellent concept and I
12 support that concept. That is why I have continued
13 to work on it despite my disagreement with the
14 report. I think the word "imperfect" has been
15 used quite well here tonight. It is an imperfect
16 process and should not have been taken to be the
17 perfect solution to this problem.

18 You know, it is advice, it is
19 important, it is formidable, and there is a lot
20 of talent going into it but the process has shown
21 that maybe, you know, this process may be straight-
22 tening out some of the flaws in that particular
23 process.

24 THE CHAIRMAN: Mr. McIntyre, thank
25 you very much. The committee does understand
that this is an important piece of legislation.



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3 When we finish the public hearing process in a
4 couple of weeks in other parts of the province, we
5 then go back to Queen's Park and meet as a committee
6 and go through every single clause and deal with
7 all the amendments to see what we come up with in
8 the end. We will be taking into consideration all
9 of the presentations that are made to the committee.
10 So, thank you and your membership very much.

11 The next group, I believe, is the
12 Bayshore Tenants' Association. Welcome to the
13 committee. Please identify yourself and proceed.

14 MR. CHENARD: Thank you, Mr.
15 Chairman. My name is Ed Chenard. I am
16 Secretary-Treasurer of the Bayshore Tenants
17 Association. Bayshore is a rental development
18 comprising 2,464 apartments, townhouses and
19 gardenhomes. Our Association exists to make
20 Bayshore a better place to live, which includes
21 working towards getting a more equitable deal for
22 our members, as tenants of Minto Rentals Manage-
23 ment; neither of which we will achieve under Bill
24 51 as it stands.

25 The formation of our Association
was prompted by Minto Rentals Management's
application, in 1981, for rent review, in which



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3 they were seeking approval for rent increases in
4 excess of the then six percent guideline.

5 We are a founding member of the
6 Federation of Ottawa-Carleton Tenants' Association;
7 and we wish to go on record as fully endorsing
8 its presentation made here tonight. We do,
9 however, wish to briefly emphasize an area of great
10 concern for us in Bayshore.

11 Bayshore is populated primarily by
12 working class people whose incomes are rising only
13 about 3.5 percent and retired persons whose incomes
14 are rising only about four percent.

15 The proposed guideline formula
16 contained in Bill 51 would authorize minimum rent
17 increases in Bayshore exceeding five percent.
18 This would significantly reduce the disposable
19 income of all tenants, particularly that of retired
20 persons, while increasing the net income of the
21 landlord. This formula is, therefore, not equitable.

22 The entire proposed Bill 51 is not
23 equitable. Any concessions to tenants have no
24 material financial benefit for them, while all the
25 monetary considerations in the proposal favour the
landlord. Bill 51, if not materially altered,
will see our rents rise significantly faster than



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3 our incomes; and because of the double whammy of
4 an unfair increase rate calculation formula and the
5 fact that this rate of increase is calculated on
6 the rent rather than the costs, will compensate
7 landlords far in excess of their cost increases.

8 We are not opposed to anyone making
9 a reasonable return on their investment. We do
10 object to having that return increased at our
11 expense. Times are tough for everyone, including
12 landlords; therefore, why should tenants have to
13 bear a disproportionate share of that burden? All
14 we are asking for is an equitable deal. Housing
15 (shelter) is, after all, along with food, an
16 essential for life; and in a just society, such as
17 we aspire to, we have a right to reasonable shelter
18 at a reasonable price.

19 Thank you, ladies and gentlemen.

20 THE CHAIRMAN: Mr. Chenard, would
21 you prefer to have your groups come up one at a
22 time, make their presentation, and then if there
23 is any questions at the end, that we ask the group
24 the questions? Is that suitable to you?

25 MR. CHENARD: Well, I don't know,
I can't speak for the other groups. If there is
any questions specific to each presentation, I



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3 don't think they should be asked of the group, they
4 should be asked of each presenter.

5 THE CHAIRMAN: Does anyone have any
6 questions of Mr. Chenard?

7 All right, let's call up the next
8 group and keep moving.

9 MS. O'CONNELL: I am Dorothy
10 O'Connell, I am on the Board of the Dalhousie
11 Health and Community Services. This is Elizabeth
12 Arnold and Bob MacDonald who are volunteers at
13 our Housing Help. Housing Help is one of the
14 programs operated by the Dalhousie Health and
15 Community Services Centre.

16 I suppose all of you are familiar
17 but maybe everybody in the audience is not familiar
18 with the fact that Housing Help just got rescued
19 and we are grateful for that. We got \$15,000.00
20 from the Housing Ministry and we are very pleased
21 with that. It was very vitally necessary.

22 I would just like to start off by
23 describing a little bit about Dalhousie Ward.

24 The group of which we are a member
25 has done an excellent job of presenting our concerns,
and you may wonder, in that case, why we bothered
to come and present them also. I am sure that



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you are feeling bored by a lot of these presentations.

THE CHAIRMAN: No.

MS. O'CONNELL: But I saw a cartoon the other day where someone held up their hand in class the other day saying "Can I go now, my brain is full".

MR. REVILLE: We started off with pretty empty brains here.

THE CHAIRMAN: No full brains up here.

MS. O'CONNELL: I would just like to talk about Dalhousie Ward for a minute. I have lived in Dalhousie Ward almost 20 years and I have seen a great deal of differences over those years. It's been a traditionally low income area. There have been a lot of immigrants. It is or has had francophone people, poor, of course, because there are francophones in that end. That is not an anti-francophone statement, that is what I see as reality as a poor person. I moved into Dalhousie almost 20 years ago and it was a step up, a distinct step up for me. It was one of the few neighbourhoods where the neighbours weren't running around yelling get that out of here, don't build



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3 that here.

4 Before I do more of that, I would
5 just like to outline what this brief says. It
6 was written by these two volunteers here, and
7 luckily, because I cannot understand very much of
8 it. I might say that Miss Arnold has been working
9 the pants off her people. They keep running up to
10 committees and it is keeping them very busy. I
11 would like to point out that for years before this,
12 we couldn't get the government to come here. They
13 didn't believe there were any poor people in Ottawa,
14 and they didn't believe there were any francophones
15 in Ottawa. And it is nice to have recognized the
16 fact that there was that constituency here.

17 What we have to outline is that in
18 our Ward we have been experiencing many changes
19 in terms of residential and commercial development.
20 Many of our clients are low income families or
21 singles or are recent immigrants to Canada. Most
22 of them spend more than 30 percent of their income
23 on rent.

24 After the Rent Registry, we are
25 pleased that the Rent Registry will finally be
26 effected, however, we do have reservations about
27 some of its features. First of all, we disagree



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3 with the August 1, 1986 deadline for declaration
4 of rents by landlords. We feel that landlords who
5 are charging illegal rents should not be let off
6 the hook simply because of this new legislation.
7 We understand that the Rent Registry will be
8 extended to cover all units. It has been our
9 experience that many illegal rents occur in small
10 buildings. This is because the tenants are not as
11 likely to be organized, and smaller landlords may
12 not be aware of the legislation. About three-
13 quarters of our clients live in small buildings.
14 Luckily, we have started our own Registry which
15 we have been working on for some time. We would
16 like to stress that there should be no fees for the
17 use of the Registry and that a toll free informa-
18 tion number should be available over the whole
19 province. For the effective use of the Registry,
20 a great deal of publicity and tenant education
21 must occur. With the high degree of tenant's
22 responsibility Bill 51 proposes, it is vital that
23 a community-based information like Housing Help
24 is available. Without this, many tenants will
25 not enforce their rights with respect to the
Registry. One of the reasons we felt we had
trouble getting money for Housing Help was that



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3 there is a feeling that there are so many others
4 that if we get one, they will want one, too. We
5 think that would be an excellent idea. We think
6 these should be all over the province.

7 In terms of chronically depressed
8 rents, many of our clients live in units that
9 may be designated as having chronically depressed
10 rents and chronically depressed buildings, too.
11 As the world changes, greater discrepancies
12 between rents for units of similar sizes will
13 occur. We are concerned with how the rents across
14 geographical areas will be compared and what
15 criteria are going to be used to judge quality.
16 We feel this section of Bill 51 will increase the
17 affordability problems of low income people relative
18 to those who are better off.

19 Further, we feel that Section 88(3)
20 should be eliminated because it can be easily
21 abused by landlords who may coerce unknowing
22 tenants into paying higher rents.

23 As to the Standards Board, we agree
24 that a Standards Board is necessary. However, we
25 feel that it must be easily accessible to tenants.
Accessible services are most easily delivered
through community-based agencies with good public



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3 education programs such as Housing Help.

4 As to Rent Review and Appeal, our
5 concern with the new guidelines is that they may
6 allow increases that are substantially above the
7 minimum allowed. Since this is the case, it is
8 important that the appeal process be fair. The
9 tenant should have input from the beginning of
10 the administrative review process. This way,
11 tenants can ensure that landlord's statements are
12 not one-sided.

13 Finally, Bill 51 does make some
14 provision for public education. We feel this
15 should become one of the most important features
16 of the bill because without tenant education, the
17 Bill is open to abuse by landlords. The biggest
18 thrust of this program should be directed towards
19 people now experiencing affordability problems.
20 For example, many of the people with affordability
21 problems in our Ward do not speak or read either
22 of the official languages well, do not own TV sets,
23 have difficulty reading the paper or are illiterate,
24 and may be intimidated by government correspondence.
25 Government correspondence, as everyone knows, is
pretty intimidating. If it is understandable at
all. They would be more comfortable receiving



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3 information from community based agencies like
4 Housing Help.

5 In closing, we feel this legisla-
6 tion has some positive aspects. We are concerned,
7 though, that some sections of Bill 51 will result
8 in increased housing problems for tenants. We
9 hope our recommendations will be considered by
10 the committee and the final legislation will
11 reflect our concerns.

12 I would just like to add one thing
13 to this. Some of us this evening listening to
14 the discussion are getting this peculiar feeling
15 that it wasn't really real. One of the reasons
16 I'm feeling that is because, particularly in
17 Dalhousie, we have a tremendous problem with
18 people who have no housing at all. So, when you
19 are arguing about rents, these people don't have
20 a roof. Particularly the psychiatrically
21 disabled are being shuffled from home to home to
22 home with no one really able to take care of them
23 and it makes them worse and it terrifies other
24 people who were in the same homes with them and
25 they leave and then there isn't anywhere else to
put them. Every day I get calls from people who
have no place to go, who are being evicted or



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3 who are being told by a social worker their rent
4 is too high and, therefore, they should give notice.
5 They do so and there is nowhere to go. And many
6 people are sleeping in church basements. The
7 people concerned, nobody is surprised, nobody is
8 angry, they just say, oh, well, they can go to soup
9 kitchens. Even social workers now, when a few
10 years ago they used to think someone was going to
11 be on the street, now they are down there saying,
12 well, a few days on the street won't hurt them.

13 I think that there is a real crisis in this
14 province and that we have to deal with it. I am
15 sorry, but I don't care if the money isn't there
16 in that particular envelope. It is somewhere and
17 something had to be done. Thank you.

18 THE CHAIRMAN: You have an effective
19 way of making your point, Mr. Reville?

20 MR. REVILLE: Thank you very much,
21 an excellent brief. I know a bit about your area.
22 Actually, when I was an alderman, I used to
23 represent an area quite like Dalhousie.

24 I wanted to pick up on your homeless-
25 ness concern. I think it is not quite fair to say
that nobody cares about that concern. In fact, to
give the government a little bit of a pat on the



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3 head, a very little pat, mind you, some serious
4 efforts are going on in that direction. Not
5 nearly enough, in my view.

6 One of the things that this bill
7 has been touted to be is a supply bill. I don't
8 believe that for a minute. I don't think you do
9 either.

10 The other thing that has been
11 suggested to us is that the bill will create
12 investor confidence and high end of market units
13 will come on the market and then people who are
14 occupying lower end of market units will
15 immediately move into those higher rent units
16 and there will be space there for someone who has
17 less money. I don't believe that either.

18 What I am worried about, and I want
19 you to comment on this, is that this bill, far
20 from creating a trickle down, will create a force
21 out and that, in fact, when these rent increases
22 start taking effect, people are not going to be
23 able to afford them and they are going to be on
24 the street.

25 MS. O'CONNELL: Well, that is our
concern also. One of the things that we have
noticed over the last 20 years is that no builders



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3 really want to build housing for low income people.
4 They will if they are bribed, but they will not
5 voluntarily. That is one of the reasons that we
6 are very supportive of the government getting back
7 into public housing. When we say that, everybody
8 says, oh, not more 27-storey high rises. That is
9 not what we mean. We mean decent public housing.
10 I think it can be done, I think it is being done
11 in other countries, and I think it is the only
12 solution. No matter what the program is, people
13 do not want to live next door to poor people. No
14 matter how nice the co-ops are, there are always
15 a few comments that, if there is a broken window,
16 oh, well, you know who did that. That is one of
17 the nicer comments.

18 It would be fine if all these
19 doctors and lawyers and other people wanted to
20 live next door to low income people, but they don't.
21 It is a forced mixing. So that sooner or later
22 you get places where there are not any low income
23 people in there anymore, they have been shoved
24 out.

25 The rent geared to income policy
in public housing, we always thought, we thought
actually it was called officially a pushout



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mechanism because it was made so uncomfortable that when you got a little money, you were forced out. Anywhere low income income people go, they are being forced out.

I don't believe that any bill that tries to answer the concerns of all people will do an effective job for low income people.

MR. GORDON: I would like to ask you one question. I think you made a comment with regard to the fact that you felt there should be a program of some form for those people who obviously will have very real affordability problems if this bill is enacted in its present form. Would you have any suggestion as to what kind of program should be enacted to help those people who have those kind of affordability problems?

MS. O'CONNELL: Well, my major reaction is public housing. I don't know what other people's reaction is. Perhaps the volunteers here could answer that because they really wrote up the bill, I just read it.

MS. ARNOLD: Well, I think you might be referring to the educational section of the bill. What we were referring to in that part of our brief was that education programs should



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3 most importantly be directed towards the people who
4 are most adversely affected by the bill, and those
5 are the people in our ward. We are concerned that
6 those are people who may not respond to the kind
7 of educational programs we have seen in the past.
8 We feel that is extremely important for the bill
to be effective.

9 MR. MacDONALD: We would also like
10 to see that the education, if possible, could be
11 community based so immigrants have a place where
12 they can go to, to get to understand better.

13 MR. GORDON: Would it be fair to
14 say, then, rather than having, for example, some
15 people have touted subsidies to people who have
16 need of more money for housing, that you would
17 prefer that there be public housing that is avail-
18 able for people who cannot afford more expensive
housing. Would that be a fair statement?

19 MS. O'CONNELL: Well, I feel
20 subsidies for people is an answer if there isn't
21 any other answer. More often it is subsidies
22 to the landlord. It just goes directly to the
landlord.

23 The problem is that unless there
24 are strict controls built in, then any raise or
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3 rise in low income people's income is eaten up
4 immediately by landlords. The rents go up
5 immediately. This is the problem we have with the
6 federal guaranteed annual income. Unless there
7 are controls built in, then you just have people
8 that are richer on paper but are still poor.

9 MR. GORDON: So, would it be fair
10 to say that you would give consideration to
11 subsidies to people who required monies to help
12 them to live in housing as long as there were, as
13 long as rent controls remained in place and were
14 watched very closely?

15 MR. O'CONNELL: Yes, but also, I
16 would like to just give a little illustration of
17 this, if I could. In my own co-op, we have a
18 couple of streets where we have a co-op that has
19 clusters, so each street is called a cluster. We have
20 between 60 and 100 units in our co-op. We are
21 aiming for 100 eventually. But the trouble is,
22 each street has a different subsidy arrangement.
23 So some streets are good to live on and some
24 streets are terrible to live on because there is
25 no subsidy. In some streets, you have to fight for
the subsidy. There isn't enough subsidy for
everybody so you have got people angry at each



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3 other because they need subsidies and there isn't
4 enough to go around. That kind of situation is
5 not good for a co-operative housing organization,
6 I can tell you. You end up getting not very
7 co-operative at all.

8 Unless there is enough money to go
9 around, then, it is like throwing a biscuit to a
10 pack of dogs. I mean, it is very destructive.

11 THE CHAIRMAN: Thank you, Ms.
12 O'Connell, very much. I would suspect that you
13 would agree with a friend of mine from Halifax
14 who was a tenant advocate who told me that the
15 problem with housing in Canada is that almost all
16 of it is built on the outskirts of people's
17 incomes.

18 I am sorry, Ms. Smith had a
19 question.

20 MS. SMITH: You can probably rule
21 me out of order, but I am so interested in Ms.
22 O'Connell's statements on public housing. I
23 gather you have been in public housing and now you
24 are in co-op housing?

25 MS. O'CONNELL: Yes.

MS. SMITH: What I know of public
housing in my own community, it has begun to reach



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3 80 percent to 90 percent mother-led families. Yet
4 I still hear you saying you think that is
5 preferable -- am I hearing you correctly?

6 MS. O'CONNELL: Well, I have nothing
7 against mothers.

8 MS. SMITH: No. I am sincerely
9 interested in whether I am hearing you right. You
10 have experienced both. Do you think public
11 housing, in spite of that statistical situation,
12 should be looked at very seriously again?

13 MS. O'CONNELL: Well, I know that
14 when we first moved in, they tried to keep a
15 control on how many mother-led families, I think
16 it was 12 percent, that there were.

17 MS. SMITH: It does not work.

18 MS. O'CONNELL: No, because one of
19 the things that happened was people would move in
20 and say, thank God, I can finally get rid of this
21 so and so. Then they become a mother-led family.

22 What happens is that there is a great
23 deal of adverse publicity everywhere about public
24 housing. When people read constantly in the
25 papers that they are degenerates, that they are
not nice people, they start to believe that the
other people in the project are not nice. They



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3 know it is not them so it must be the people at
4 the other end.

5 Unless you have a program that
6 builds up people's self-esteem, then they hate
7 the housing, not because of the housing or because
8 of the people they know, but because of where they
9 are and because they can't stand the stigma of
10 living in it. But what we found over the years
11 was that you can build up strong communities,
12 communities that can help each other. When we
13 hear people say, well then, your kids don't get to
14 mix with other kids or they don't get the same
15 expectations, well, they do. They go to the same
16 schools, they play in the same places, although
17 often they can't afford to.

18 It is better for kids, we think, in
19 some way, to live in public housing although it
20 is not good for any kid to be poor. I think that
21 any kid in this country who is poor has a problem
22 no matter where they live. I think it is less when
23 they live in public housing because there is
24 support of neighbours.

25 The only reason I moved out was
because — well, it was a couple of reasons. One
of them was I had five children and the houses



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3 were just not big enough for people with five
4 children. The other thing was that I was
5 flattered because the co-op wanted me to be part
6 of the co-operative. I thought after 13 years
7 in public housing I would go. I found it very
8 lonely when I moved in. It was difficult because
9 you get used to high density living. It is very
10 difficult at first. It is something you have to
11 get used to. One of the things that happen is
12 that people fight because people are territorial
13 and when you move to a smaller territory, you
14 don't understand that you are crossing other
15 people's boundaries. The biggest fights grew out
16 of the people who came in from rural areas who
17 were used to a lot of room. Unknowingly, they
18 trespassed on other people's boundaries.

19 It's a learned skill to live in a
20 high density and you have to unlearn it when you move
21 out. I think there is a lot of good things about
22 public housing and I think that it was a mistake
23 to ditch it because there were some problems with
24 it.

25 THE CHAIRMAN: Ms. O'Connell, thank
you very much for your presentation.

The next presentation, I believe, is



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3 from the Island Park Tower Tenants' Association,

4 MR. VEALE: I am Peter Veale with
5 the Tenants Association at the Island Park Tower.
6 I must also add my appreciation for what the
7 previous speakers have said, particularly from
8 the Federation and Dan McIntyre, and the two other
9 presentations just put before you. They really
10 cover all the ground we had in our brief, except
11 one. That is, that this year our complex went
12 under the Tenants Association -- at least the
13 commission, and the landlord was granted an
14 increase of 15 percent. In excess of 15 percent.
15 The means to say that in 1985 we had a six percent
16 increase, in 1986 we have a 15 percent increase, and
17 the chances are that in the next year there will
18 be a further increase in accordance with the
19 guidelines of Bill 51.

20 Now, all of that, when added to
21 the sort of one-room apartments of which there
22 are a number occupied by retired people in our
23 complex, it means that the rents in those small
24 apartments will be going up from about 400, let
25 us say, up to \$11 which is a tremendous increase
for somebody who is on a fixed income like a
retired person. I'd like to suggest that this



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kind of situation should be given a look when you start doing what was previously mentioned over here, some major surgery on Bill 51.

Thank you.

MS. SCOTT: I am Irene Scott, I am the Treasurer for the Association which was formed basically to fight the high increase. We would like to see consideration in the bill for people like ourselves who have already had a cost revenue statement and it has been worked out over a period of years and how much the company can get in return for it, which the Federation pointed out quite strongly in their brief on our behalf, and everyone's behalf.

THE CHAIRMAN: Thank you. Any questions?

MS. GIGANTES: Who owns your building?

MS. SCOTT: Sun Life Insurance Company of Canada owns our building.

MR. VEALE: The chances are if these increases take place, the chronically depressed rents will certainly turn into chronically depressed tenants.

MS. SCOTT: Yes.



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MS. GIGANTES: How old is the building?

MR. VEALE: Fifteen years. There are three buildings. One is about 18, the other 15, and the other is about seven or eight. No, it's more than that. It is 12.

MS. GIGANTES: So, all of those buildings have come under Rent Review?

MS. SCOTT: No, it is two out of three.

MS. GIGANTES: Thank you very much.

MR. CORDIANO: I just want to follow on that line of questioning. You say that the owners of the building were granted a 15 percent increase having gone to Rent Review?

MS. SCOTT: Yes.

MR. CORDIANO: And that was for what?

MS. SCOTT: For the repairs of parking and the garage and for construction that hasn't been maintained continually over the last 20 years. So, it means for someone like myself who works for the Regional Municipality of Ottawa-Carleton, my pay increase is approximately 2.2 percent versus the 22 percent increase in my



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rent.

MR. POIRIER: If there are any more questions? If not, thank you very much.

The next group we have on the agenda is the Riverside Court Tenants' Association, if you would come forward, please?

MS. CHARETTE: I would like to thank all of you for giving us an opportunity to speak about Bill 51. You are probably all sitting here saying to yourself here comes another tenant up on her soap box. Well, yes, I am on my soap box. Tonight I would like to talk to you only about maintenance, the Maintenance Standard Board. I am glad some concern was expressed about that, because that is one of the most serious concerns we have about Bill 51. There is lots of good things in the bill but this is one of the things that I don't think is settled yet and we would like to have our say now while it can still count.

My name is Janice Charette and I am President of the Riverside Court Tenants Association. Riverside Court is a complex of four buildings. There is approximately 761 rental units and approximately 2,000 tenants in residence. Riverside Court used to be a nice address



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3 in this city. I wish I could still say that
4 tonight. Let me tell you our story.

5 First of all. The story is about
6 a Tenants Association that decided that tenants
7 deserved better maintenance than they were
8 receiving. For example, doors on buildings. I
9 am kind of partial to them. When there is no
10 doors on the building, the landlords heating costs
11 go up, and when routine maintenance costs group,
12 they go to Rent Review and they say heating costs
13 have gone up. Yes, they did go up. They have
14 bills, they have invoices to prove they went up,
15 and so they get an increase which the tenants have
16 to pay for. There is no provision right now for
17 a tenant to stand up and say, wait a second, this
18 building is being mismanaged. Too bad, just pay,
19 because we are incurring the cost. That is
20 another issue.

21 The Association tried everything
22 over quite a long period: cooperation, we tried
23 urging the landlord to try and work with us. We
24 tried to reason with the landlord to show how they
25 could reduce their costs and improve maintenance
around the complex. We had Property Standards
Officials from the City of Ottawa at our complex



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3 so often I am sure some tenants wondered if they
4 weren't fellow tenants. Eventually, I think the
5 Tenant's Association realized they were beating
6 their head against the proverbial wall and soon
7 the phrase the landlord liked to use was "take
8 us to court". It was beginning to sound like the
9 only reasonable option we had left.

10 So the tenants all got together and
11 decided the only way they were going to improve
12 the situation in the complex was to begin what
13 is called a Section 96 Application under the
14 Landlord and Tenants Act. That is, the tenants
15 decided to all get together and sue the landlord
16 for a rebate of rent for services that were paid
17 for but not provided. Get them in the pocketbook
18 because that's where it hurts.

19 The tenants got together and
20 raised \$15,000.00 to try and hire expert legal
21 counsel. I don't have to tell you how difficult
22 it is to get \$15,000.00 out of tenants. Three
23 hundred people thought that this situation was so
24 bad that we had to fight back and they were willing
25 to pay to do it.

A funny thing happened. We filed
our application to sue and things started to get



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3 better. Not good, just a little bit better. But
4 it's been a damn hard fight. A lot of work, a lot
5 of time and a lot of very committed volunteers
6 have put in a lot of effort and it's not over
7 yet. The lights are still burnt out in the parking
8 lots. The lights are still burnt out on the exit
9 doors. There is still free access to all the
10 buildings because there are doors with no locks on
11 them. The overflow of garbage from garbage bins
12 left in the parking lots scatters around in the
13 wind and I am sure that does a lot for the public
14 impression of the buildings themselves.

15 The landlord comes to me and says
16 your Tenants Association is giving us a bad press.
17 We can't fill up our units. We are not giving
18 them a bad press, they are doing a hell of a job
19 of it themselves.

20 Our landlord went to Rent Review
21 last year and promised to greatly improve mainten-
22 ance in their projected year. They got an increase
23 above the legislated minimum -- legislated maximum,
24 sorry. Despite all that, there was the largest
25 Section 96 Application ever filed under Landlord
& Tenant Law standing out there waiting to be heard.
We have been at this now for a year. I wish I



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3 could tell you that the end is in sight. We don't
4 know when it's going to be heard. We don't know
5 how long we are going to be in Court and we don't
6 know what is going to happen at the end of it. I
7 don't think tenants should be put in a position
8 where they have to fight to have the law enforced.
9 I don't think they have to be put in a position
10 to work so hard for so long and so many hours to
11 get something that they are already paying for and,
12 in many cases, paying too much money for.

13 We tenants, especially at Riverside
14 Court, had a lot of hope pinned on the Maintenance
15 Standards Board. From some of the things I heard
16 tonight, I am a little concerned. If the respon-
17 sibility for imposing a minimum standards is going
18 to be left to the City officials, I have very
19 little hope. City officials are already much
20 overworked and when they hear the name Riverside
21 Court I am sure they just shake their heads and
22 sigh.

23 We need a system that enforces
24 tough maintenance standards with no rent increases
25 for landlords that fail to comply with that
system. Landlords and tenants can do a lot more



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3 working together than they can fighting against
4 each other. Thank you.

5 THE CHAIRMAN: Any questions by
6 Members of the committee? Ms. Charette, thank
7 you very much for appearing before the committee.

8 The next group, I think, is the
9 Colonel-By Tenants Association.

10 MR. YATEMAN: My name is Norm
11 Yateman. I am the President of the Colonel-By
12 Tenants Association. Colonel-By Towers is about
13 a 12-floor high rise apartment building housing
14 about 141 units. It is in the Glébe area. The
15 owners of Colonel-By Towers is 119202 Canada
16 Incorporated, a numbered company.

17 We are very concerned with the
18 maintenance standards because in the four years
19 I have been there, and I will start off with a
20 list here, vacuuming and general cleaning of the
21 hallways is almost a nil service. There has been
22 no maintenance and no painting of hallway walls.
23 Old paint is peeling off the hallway walls. The
24 only area which has received any attention is the
25 main lobby. Cosmetics, I guess. The sundeck on
the roof has received no maintenance whatsoever
and is rotting away, making it unsafe to walk on



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3 in some cases. Elevators are often breaking down,
4 creating a condition of apprehension for elderly
5 tenants. On one occasion, an elderly tenant was
6 stuck for an hour. Fortunately, she was a calm
7 person. In the same incident, when the service
8 representative for the elevator company showed up
9 to do the repair, he found the elevator pit door
10 wide open. That is supposed to be locked at all
11 times until unlocked by the service representative
12 or the superintendant. I think that is a serious
13 breach of safety and security. A young child
14 could have walked underneath that and got crushed
15 or whatever.

16 As time goes by, more and more
17 services seem to be diminishing. Example, a story
18 on summer screen windows. There are some screens
19 for those units that have balconies and the storm
20 windows for that in the wintertime, for the same
21 balconies, the tenants have been -- the Fire
22 Department has said that the storage area the
23 owner was using is in a breach of the fire code.
24 The superintendant informed the tenants that if
25 they do not comply by storing these units in their
own apartments and leave them out in their hallways
or whatever, then they will be fined \$2,000.00.



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3 We do not know who said that, if it is the super-
4 intendant himself or the owner or the Fire Depart-
5 ment. We can't seem to find any kind of written
6 order on that.

7 Security measures are at a minimum.
8 The main lobby doors and window locks are primitive.
9 They give easy access into the building by
10 undesirables. Fire safety measures, again, have
11 been much improved due to an order by the Fire
12 Department within the last year or so. However,
13 fire codes are still being broken. As an example,
14 various types of debris such as old couches and
15 mattresses and chairs are strewn about the locker
16 space area.

17 The underground parking has a
18 portion of the roof that is falling apart. One
19 of these days, it is going to come down on some-
20 body's head or somebody's car or whatever.

21 My feelings and that of the
22 Association is why should we have to pay a high
23 rental increase for such a low standard of living?
24 Furthermore, the increases in people's salaries
25 are only 3 to 3.5 percent, whereas the rents are
increased about two-thirds the rates of inflation
plus two percent. Perhaps if the committee



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3 discussing this bill wants to really set a strong
4 maintenance standard, it should take a random
5 surprise tour of some of the complexes in the area
6 of Ottawa and get first hand experience at what is
7 really going on there. That is all I have to say.

8 THE CHAIRMAN: Thank you very much.
9 Any questions?

10 MS. GIGANTES: Do you know how old
11 the building is?

12 MR. YATEMAN: Yes, the building was
13 built in, I think, around 1957.

14 MS. GIGANTES: Do you know how long
15 the current owner has owned it?

16 MR. YATEMAN: Well, that is a
17 mystery. Campeau sold it to a man by the name of
18 Mr. Garfinkel in 1982. He sold it to 119202 Canada
19 and we think there is a relationship there but we
20 are not certain. The present owners have owned it
21 for three years, give or take.

22 MS. GIGANTES: Are any of the
23 tenants long term tenants?

24 MR. YATEMENT: Yes, a good majority
25 of the tenants are long term. A lot of them are
retirees whose incomes are going up less than
the average income earner. Then you have a majority



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3 of transients or student types, and that's about it.

4 MS. GIGANTES: And have you gone
5 for Rent Review in the four years you have been
6 there?

7 MR. YATEMAN: Yes, we have. We went
8 through Rent Review with Mr. Garfinkel who was
9 trying to increase rents 30 to 35 percent in 1982.
10 It went to, what do you call it, a review and then
11 it was appealed. The Rent Review Committee sent
12 an Order, it was appealed by Mr. Garfinkel. Then
13 when 119202 took it over, they tried to raise rents
14 and were charging 30 to 35 percent increase. The
15 appeal was denied. We won our case. We took it
16 to a hearing and there was illegal rent overcharges
17 of which the owner was fined and the overcharges
18 were paid back. But in terms of the average six
19 percent and then four percent increases, there has
20 been no maintenance whatsoever as far as I am
21 concerned in the building. You should simply take
22 a walk around here and you will see what I mean.

23 MS. GIGANTES: Thank you.

24 THE CHAIRMAN: Thank you very much,
25 Mr. Yateman.

26 I believe the Abbey Bronsview Tenants
27 Association is next. Is that the last of the group?



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MR. MacDONALD: I would like to talk briefly about the chronically depressed rent regulation in Bill 51.

We have just had a rent increase in our building of eight percent. Even with that, the two-bedroom apartments will be going for about \$400.00 a month, whereas just a block behind us, the two-bedroom apartments are going for about \$600.00 a month. So, we are quite concerned that we will be affected by the aspect of Bill 51, which talks about chronically depressed rents.

In our building, we have come to realize that most buildings that have such low rents tend to attract people who already have severe financial problems. In my building, we have many senior citizens on pensions and low income tenants. And recent immigrants. They can't afford to live anywhere else. Many have an annual income of less than \$10,000.00 and others spend more than one-third of their income on rent alone.

While we are on the topic of income and subsidizing landlords, I would like to mention that we've got here a cost sheet from a Residential Tenancy Commission, and, if I may, I'd like to quote to you the financial profit that our landlord



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3 made off these chronically depressed rents last
4 year. Annualized revenue, \$345,427.00. Financial
5 profit as a percentage of annualized revenue, 50
6 percent. Financial profit in dollars for the
7 recent 12-month period was \$172,697.00. It seems
8 that rather than solve the affordability problem,
9 Bill 51 will only worsen it by financially
10 crippling low income tenants in order to subsidize
11 a landlord who is already showing more than a
12 substantial profit. I would ask that this aspect
13 be given further consideration or, better yet, be
14 removed from the bill completely.

15 Thank you.

16 THE CHAIRMAN: Thank you very much,
17 Mr. MacDonald.

18 MR. REVILLE: I have a question. Do
19 you have any idea what kind of equity the landlord
20 has in that building?

21 MR. MacDONALD: I am not too sure.
22 Like, the numbers I quoted were without the capital
23 expenditures and without the operating costs.

24 MR. REVILLE: It was like a balance
25 sheet?

MR. MacDONALD: Yes.

MR. REVILLE: The CDR provisions



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3 indicate that a landlord has to be getting less than
4 ten percent return on his equity before this
5 provision applies. What I would recommend you do is
6 call that guy right there, Mr. Peters, tomorrow.
7 He will be here. He will be right there. See if
8 you cannot share some more facts with him. He
9 should be able to give you an idea whether you are
10 in that category.

11 There are three things that you
12 have to have before you are in the CDR category.
13 I agree with you that we'd better get it out of the
14 bill, though, rather than getting your building
15 out of the bill.

16 MR. MacDONALD: I was just worried
17 about my own building.

18 MS. SMITH: That was my point. I
19 think you will find they cannot do that to you.

20 MR. REVILLE: Keep your fingers
21 tightly crossed, though.

22 MR. MacDONALD: I will, thank you.

23 THE CHAIRMAN: Thank you, Mr.
24 MacDonald.

25 Last, we have the Association of
Centretown Tenants with Mira Shane, Kathryn Barnard
and Bernard Grace. We apologize for the lateness



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3 but I think you will agree it was all in a good
4 cause.

5 MS. SHANE: Very worthwhile. I did
6 bring my clock so I would be right on time and keep
7 to my presentation. I do not think I have to worry,
8 though.

9 The Ottawa Association of Centretown
10 Tenants has been in existence for almost four years.
11 With the current membership and contact, we have
12 about 1,500 individuals in the central core of
13 Ottawa. We are an independant Association and
14 affiliated with the Centretown Citizens Community
15 Association and the Ottawa Community Federation.
16 Our membership is kept informed about current tenant
17 issues through newsletters, public meetings, and
18 our Centretown tenants tell us their concerns at
19 our legal clinics. And through our telephone
20 service. Other forums are available to us, whether
21 it be all candidates meetings, city council meetings,
22 municipal courses on housing or the Thom Commission.
23 We have tried to let everyone know whether through
24 these forums what the concerns of Ottawa Centre-
25 town residents are. The Association has a Crisis
Tour on which we took Premier Petersen just prior
to his election and which prompted all this look at



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3 Rent Review. In the following brief, we have
4 basically dealt with three major issues. At least
5 for this evening, we have decided to talk about the
6 Rent Registry, maintenance, and chronically
7 depressed rents.

8 A regulatory authority to develop
9 adequate maintenance standards and then ensure that
10 the standards are met is an excellent idea. However,
11 we do have a few suggestions for the sections
12 dealing with this issue. It should be noted that
13 some of the following suggestions may best be dealt
14 with in regulations as opposed to the actual bill,
15 but they are, nevertheless, important if the
16 Residential Rental Standards Board is to be success-
17 ful in achieving an effective and fair control of
18 maintenance standards.

19 Section 15(15)(b). We would like
20 to see the term "beyond the control of the landlord"
21 clarified. If a landlord contemplates another
22 investment in another property, and if the
23 financing of such an investment would affect the
24 quality of maintenance provided to previous invest-
25 ments, the landlord should first ensure that he will
be able to provide adequate maintenance for any
investment he has already made. Tenants and tax-



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3 payers should not be responsible for foolish
4 investments.

5 Guideline Increases. If a building
6 does not conform to the maintenance standards then
7 no guideline or other increase of rent should be
8 allowed until the standards are met.

9 Applications for Increases. Any
10 building that is being considered for an increase
11 should first be inspected to ensure that it
12 complies with the standards.

13 Notification. Responsibility for
14 notification to tenants of compliance of non-
15 compliance with standards should rest with the
16 appropriate authority and not the landlord.

17 Timetable. If the building does not
18 comply with the standards then a timetable should
19 be set to do whatever repairs are required as
20 expediently as possible.

21 Fine for Non-Compliance. A substan-
22 tial fine for non-compliance with the standards
23 would most likely prevent such occurrences.

24 Administration. Appropriate funding
25 for inspectors should be provided from provincial
funds, as most municipal governments are already
overburdened and do not have the facilities/person



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3 years to provide such a service.

4 Definition. The maintenance standards
5 should be referred to as "appropriate" or "adequate"
6 as opposed to "minimum", but also recognizing
7 regional differences in ability to provide certain
8 facilities such as sewage, water treatment,
9 etcetera. There should be specific definitions
10 of what are appropriate or adequate maintenance
11 standards, i.e. in the case of a heating system,
12 it should provide heat to maintain a room temper-
13 ature of 70 degrees Fahrenheit at five feet above
14 floor level and three feet from exterior walls as
15 opposed to being capable of maintaining a room
16 temperature of 70 degrees Fahrenheit at five feet
17 above floor level and three feet from exterior
18 walls.

19 Life Expectancy. There should be
20 a general time frame set for life expectancy and
21 replacement of appliances, carpeting, painting,
22 etcetera. A "wear and tear" provision should be
23 instituted so that tenants would not be paying
24 more and more each year for items which may no
25 longer be in the same condition as when initially
purchased.

24 Municipal Emergency Powers to correct



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3 dangerous or unhealthy non-compliance problems
4 should be enforced.

5 In summary, the Association of
6 Centretown Tenants finds the guideline very
7 generous and, therefore, thinks that in return the
8 Residential Rental Standards Board should be
9 established quickly. Many tenants have indicated
10 that they would be willing to pay more if, in
11 exchange, adequate maintenance was provided and
12 assured. The Ministry should now show the
13 political will to establish the Board quickly and
14 show resolution in maintaining and improving
15 tenants' rights to adequate maintenance standards.

16 Rent Registry. A Rent Registry is
17 an excellent idea and one that was a long time
18 coming. However, we have several suggestions
19 which would make the proposal even more palatable.

20 A. Section 63(1). This section
21 would legitimize illegal rents charged before 1
22 August, 1985. We do not believe landlords should
23 be "forgiven" whatever illegal rents may have been
24 charged in exchange for compliance with the law.
25 In addition, this would send out a "mixed message"
to landlords who have complied.

B. Monitoring. We have some concern



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3 as to how the Registry will be monitored. Will
4 there be substantial fines for blatant incorrect
5 registrations of rent? Will the Registry auto-
6 matically reflect any new orders made, whether an
7 increase or reduction in rent?

8 C. Section 57(3). After two years,
9 and if there is no questioning of the rent recorded,
10 that rent would become the legal rent. Why is
11 two years set as the limit as opposed to six?

12 D. Section 60(1) (a), (b), (c), and
13 (d). This section allows landlords to justify
14 illegal rents before registering them. We are
15 concerned because this does not appear to be a
16 Rent Review procedure and, thus, would not be
17 treated in the same manner. Landlords have had ten
18 years to lawfully increase their rents and we do
19 not believe that they should now be allowed to
20 justify illegal rents. These sections should be
21 deleted.

22 E. Rooming Houses and Buildings with
23 Less than Seven Units. Rooming houses should not
24 be exempted from the Rent Registry. A time frame
25 for incorporating buildings with less than seven
units into the Registry should be set now, i.e.
July, 1987.



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3 F. Section 66(f). Tenants should
4 be apprised of any changes in the Registry. Notice
5 should be sent annually to each unit showing the
6 relevant information. This would be beneficial to
7 tenants for two reasons. First, they would know
8 the lawful rent for their unit and, second, the
9 annual reinforcement of the presence of an authority
10 which deals with landlord/tenant issues would aid
11 in making tenants aware of their rights to access to
information about the units they occupy.

12 The Association of Centretown Tenants
13 is pleased with the idea of a Rent Registry. We
14 are encouraged by Section 57(1) which would use
15 previous orders to establish what rents should
16 now be charged and Section 58(2) which gives notice
17 to tenants of the recorded information. However,
18 as listed above, there are some problem areas which
19 we are sure the Ministry will take into considera-
tion before proceeding with the bill.

20 Chronically Depressed Rents. Land-
21 lords have had ten years to go to Rent Review.
22 Some buildings have had the same owner and a low
23 mortgage for decades. If the new owner has paid
24 too much for his investment, due to ignorance of
Rent Review or simply poor financial management,



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3 it should not be the responsibility of the tenants
4 to finance his mistakes. Owning and renting
5 property is a business, not a hobby.

6 Despite the views noted above,
7 the Association of Centretown Tenants is
8 prepared to agree that if a landlord is exper-
9 iencing real hardship, which is not due to bad
10 management, or for some reason he has not asked
11 for the yearly guideline, then perhaps he should
12 be entitled to some extra increase. However, the
13 landlord should be able to demonstrate real
14 hardship, i.e. there is no profit attributable
15 to that building. However, any increases given to
16 chronically depressed buildings should be phased-in.
17 Section 88(3) allows landlords to bring rents up
18 to the gross potential rent for that building when
19 a new tenant moves in or at the consent of the
20 tenant already occupying the unit. This could lead
21 to coercion tactics (i.e. not responding to tenants'
22 need of repairs, etcetera -- harassment is a
23 difficult case to prove).

24 Our main concern about the chroni-
25 cally depressed buildings issue is that chronically
depressed buildings will be compared to "white
painted" buildings. White painted or gentrified



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3 buildings are those where the tenants were evicted
4 for "renovations" which, in the end, meant that the
5 units were simply painted or some other minor
6 renovations were made and higher rents, ranging
7 from \$50.00 to \$250.00, were charged. This is a
8 practice that has been going on in Ottawa Centre-
9 town for years. Ottawa Centretowns's apartment
10 stock consists predominantly of low rise buildings
11 which have provided affordable rents until this
12 practice of white painting caught on. Rents
13 charged in chronically depressed buildings compared
14 to those charged in some of the white painted
15 buildings would not be a fair comparison, as these
16 buildings would, in actuality, already be charging
17 illegal rents.

18 Even after extra increases are given
19 to landlords of chronically depressed buildings,
20 they may find that, in the end, they would be
21 better off selling their buildings. There is
22 already a tremendous pressure to sell these buildings
23 and convert them to offices, although Bill 11 offers
24 some protection. In addition, the extra two percent
25 on top of guideline increases could be too much
for many of these tenants to bear. There are
already many fully employed people who cannot



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3 afford to put 26 percent of their income on rent.
4 For example, a person making \$15,000.00 a year gross
5 would have to pay one-third of that to taxes,
6 leaving \$10,000.00. If rent is 26 percent of the
7 gross, then that would leave them about \$6,000.00
8 to pay for food, transportation, utilities,
9 etcetera for the year. Thus, the two percent
increase could lead to economic evictions.

10 From our viewpoint, the chronically
11 depressed building issue has many pitfalls and
12 should be considered further. Perhaps the best
13 suggestion would be for the province to buy these
14 buildings and develop them as co-operative or
subsidized housing.

15 Administrative Review. The
16 Association of Centretown Tenants is prepared to
17 give this new procedure a chance to prove its
18 utility. Our main concern with the Administrative
19 Review procedure is that tenants must appeal the
20 initial decision if there is to be a public hearing.
21 In addition, as in all aspects of the bill, we want
22 to be assured that tenants are informed of the
23 correct procedures and have easy access to infor-
mation.

24 Costs No Longer Borne. It is our
25 view that applications for decreases in rent for



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3 costs no longer borne should be retroactive, as
4 opposed to being limited to capital costs incurred
5 after 1 August, 1985. Why should tenants continue
6 to pay more and more each year for something that
7 may have been paid for five years ago? In
8 addition, once again, the onus has been placed on
9 the tenant to make the appeal. In the past,
10 tenants have had difficulty obtaining information
11 about their units. The guideline was generous.
12 ~~Costs no longer borne should be considered at any~~
13 ~~subsequent hearing.~~

14 Equalization of Rents. We are
15 concerned that equalization of rents may also result
16 in economic evictions. This process should not
17 result in escalated rents that the average tenant
18 cannot afford.

19 Supply. The Association of Centre-
20 town Tenants supports non-profit housing. As we
21 have suggested earlier, it may be feasible for
22 the province to purchase chronically depressed or
23 low end of the market buildings, especially if it
24 is not possible to retain them in the private
25 sector. Rent subsidies may not be the best answer,
as it would be difficult to make decisions as to who
would receive them and would probably not address



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3 the problems of the working poor.

4 MS. BARNARD: I am Kathryn Barnard.
5 I have been practicing landlord and tenant rent
6 review for about six or seven years. I represent
7 a number of the buildings represented here tonight.
8 At the moment, though, I am not a tenant and I do
9 not live in Centretown. The last time I got
10 evicted in Centretown, I moved to Dalhousie and
11 became one of Dorothy O'Connell's problems. I am
12 a landlord. I would just like to add some back-
13 ground to what Mira has been saying about the
14 problems in Centretown.

15 Generally speaking, there is about
16 10,000 units in Centretown in rental housing and
17 that is divided among high rise, low rise and
18 single family duplexes. In all of those kinds
19 of buildings, there is an enormous problem in
20 Centretown with illegal rents to the point where I
21 would say that although Rent Registry is a
22 marvellous idea, I have no doubt that it is simply
23 too late for Centretown. I think, outside of
24 Downtown Toronto, this is the worst example in
25 the province of highly concentrated illegal
evictions, white painting and illegal rents. In
the small buildings, that has been the case. Again,



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3 I agree with my colleagues, I say, what do you
4 think your landlord is going to charge once he
5 is finished sanding the floors and painting the
6 walls? Oh, well, he is charging me 250, so maybe
7 400. I say 750. They say no. Sure enough, the
8 next day it is 750. They don't believe it, but
9 this is exactly what's happening. Seven hundred
10 and fifty is the magic number, of course, because
11 that is when you are exempt from Rent Review.

12 The other problem we have in the
13 high rises is the apartment/hotel conversions, and
14 I think everybody knows about that. The situation
15 there is that those rents are illegal. They have
16 been found to be illegal in every case that has
17 gone to Rent Review or the Residential Tenancy
18 Commission. But unless the tenants, on whom the
19 onus is, goes to the Residential Commission, no
20 decision is made and those rents stand. Those
21 rents, which are sometimes 200 percent in excess
22 of what they were legally, may become registered
23 if they even appear at all in the Rent Registry.

24 We can see no reason why the Rent
25 Registry should cut off the ability of tenants to
26 apply for rent rebates. There is not no Rent
27 Registry, there is no disadvantage to landlords



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3 purchasing properties or anything along that line.
4 It's been a question of a landlord has a respon-
5 sibility to know what the legal rent is and if
6 the rent being charged is illegal, to repay the
7 money. There is no reason to remove from a
8 prospective tenant the right to recover an illegal
9 rent simply because the landlord has given false
information to a government agency.

10 Similarly, if the landlord has not
11 had the intelligence or, in some cases, the will
12 to comply with the law to apply in the past for
13 capital expenditures and so on that might justify
14 an increase, there is no reason at this point to
15 allow that landlord to come along and justify what
16 has been to date an illegal increase. It reminds
17 me -- actually, a large part of my practice is
18 immigration law and you all know what a hoo-haw
19 comes up when somebody announces an amnesty in
20 immigration. If we give them one now, they are
21 going to expect another one. That is exactly what
22 I see happening here. The landlords are getting
23 an amnesty, that is all it is. If we give them
one now, why not give them another one five years
down the road.

24 As far as chronically depressed rents
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3 are concerned, I think Mira has stated our position.
4 I would also like to raise the point that it pro-
5 vides for the ability of landlords and tenants
6 to bargain. When I represented the Social Planning
7 Council in the city at the Thom Commission, we
8 took a very strong position on that. It is wrong
9 for two reasons. The first is that the power
10 imbalance between landlords and tenants has to be
11 recognized. A tenant cannot bargain with a land-
lord in the housing market we have now.

12 Secondly, Rent Review is not a
13 question of tenants and landlords, it is a question
14 of rents and housing units. There is no reason
15 that a current tenant, who may be subject to
16 intimidation by a landlord or may have some other
17 reason for bargaining with a landlord, should be
18 able to set a rent for that unit which made them
19 take the unit out of the market that other people
20 who would be needing a place to live could afford.
21 There is no reason to have that provision in the
22 Act. If the landlord qualifies for a rent increase,
23 the landlord should be able to demonstrate the
24 need and justify it and get it in the normal way.

25 I think it can't be emphasized too
strongly that Centretown has become a desparate



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3 place for tenants who used to be able to live
4 there and who are being forced out daily by land-
5 lords who give them false reasons for eviction,
6 don't follow through on the reasons that they gave,
7 raise the rents, and have converted the area into
8 a neighbourhood that ordinary people, including
9 myself, simply can't afford.

10 MR. GRACE: My name is Barney Grace
11 and I am a tenant. I came back to Ottawa about
12 eight years ago. In coming back to Ottawa, what I
13 found was that apartments seemed to be very
14 expensive and very little selection in the apart-
15 ments. I found one I liked in a new building,
16 relatively new building, modern building. It was
17 under Rent Review. I lived in the building for
18 approximately five years. At that time, the owner
19 of the building decided he was going to convert
20 it into an apartment/hotel. The tenants were
21 either evicted or they were vigorously encouraged
22 to leave. Deciding at a certain point in time
23 when there was about six of us left of the original,
24 say, 120 tenants, that I thought I would leave,
25 moved into another building. It was an older
building, the building that I'm in now, and that
building is now in excess of 20 years old. I found



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3 that my own rent for a smaller facility moved up
4 \$150.00 a month, which at that time represented
5 a 25 percent increase over my previous rent. I
6 found out later that the landlord had increased my
7 rent over the last tenant who lived there.

8 When I went to see the apartment,
9 I was talking to the owner. We noted that the
10 apartment did not meet the standards of the lease
11 I was presented with. We discussed this and the
12 owner agreed that it didn't meet the standards of
13 the lease. Being somewhat naïve, we agreed that
14 he was going to bring the apartment up to the
15 standards called for in the lease. I am still
16 waiting for that. Paint that was cracked is now
17 peeling off the wall. Plaster that was sort of
18 falling off the lathework is now being held there
19 by the paint. Eventually it's going to end up on
20 the floor.

21 Our landlord wrote us a couple of
22 letters this year. He finally decided to communi-
23 cate with us. In April of 1986, he advised us that
24 we were no longer able to park cars in the basement
25 of the building due to a need for extensive repair
work. Having practiced engineering across Ontario,
I agree that extensive repair work was necessary.



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3 To date, they haven't even swept the floor in the
4 basement. However, the basement is suitable for
5 parking the cars of tenants who are now renting
6 furnished suites with maid service. At the same
7 time, it is also suitable for the storage of at
8 least one boat. It is suitable for the staging
9 area for contractors who are coming in to do
10 renovations and convert vacant apartments into
11 furnished apartments, coming in to do the renova-
12 tion work. It is also suitable for storage of
13 equipment that is going to go into an industrial
14 type laundry in the basement.

15 In addition, we have received a
16 letter telling us that the apartment is not being
17 converted into an apartment/hotel. However, this
18 summer the annunciator system in the lobby
19 disappeared and to sort of replace that, a reception
20 desk has appeared. However, the building is not
21 being converted into an apartment/hotel because
22 I have a letter from the owner stating it is not.

23 MR. REVILLE: That might be a
24 concierge, actually. He will dust the concrete
25 off your car.

MR. GRACE: Yes. I guess, in
forming some conclusions about this, I don't think



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3 the honour system is effective simply because there
4 is too much money at stake. I don't think you can
5 really count on people to sort of enter into these
6 agreements with good intentions and keep them.
7 There is simply too much money at stake.

8 In our building at the present
9 time, if you look at apartments, if you take a
10 tenant who has been in that building for, say,
11 ten years, he is paying approximately \$400.00 for
12 the facility. If you take a look at a tenant who
13 is living in the same type of apartment and he
14 has been there, say, two to three years, he is
15 paying between five and \$600.00 for a similar
16 suite. If you take a tenant that is moving in
17 now, that tenant is paying between seven and
18 \$800.00 for a similar facility. That is in the
19 same building.

20 Now, Bill 51 appears to be sort of
21 Robin Hood legislation to aid Prince John. It's
22 not really doing a lot for tenants. I don't know
23 how you are going to effectively legislate the
24 effect of rents in that building. I don't know
25 how you can legitimize them all within that
building because there is a significant gradation.

I guess if I look at it and I under-



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3 stand some of the suggestions that have been made
4 in Bill 51, you are essentially -- you know, you're
5 ridiculing tenants and ridiculing those landlords
6 who are honest. I can't see any other point to
7 certain parts of Bill 51 which are really saying
8 it is okay to steal, guys. It's okay to take
9 advantage of people. If you can prove that you
10 could have done it honestly and legitimately, then
11 it was -- I just don't see the logic and I don't
12 see the rationale.

13 Anyway, if you are looking at a
14 formula, I don't think that tenants -- I think
15 tenants have to accept the fact that landlords have
16 to recover costs. The landlord has made an invest-
17 ment. He has either put up the building or he has
18 purchased the building and obviously he has to make
19 some sort of return on it. If you're going to look
20 at the concept of costs, and I have heard that
21 word bandied about here tonight. I am not sure
22 anyone here has really defined what a cost is. I
23 would like to suggest to you that if you are
24 going to use inflationary indexes, that the
25 suitable index be created of those costs relevant
to the upkeep and maintenance of the building, the
acquisition, upkeep and maintenance of the building.



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3 Furthermore, if you are going to give increases
4 based on other costs, I believe that the landlord,
5 on a yearly basis, has to produce some form of
6 document to pay his taxes. In that document, he
7 has to represent his costs. I would suggest that
8 any increase be based on his reported, audited
9 costs.

10 That is really all I have to say,
11 thank you.

12 THE CHAIRMAN: Are there any ques-
13 tions by members of the committee?

14 MR. REVILLE: Ms. Shane, you said
15 in your brief that one of the things that the
16 government might do about the chronically depressed
17 rent situation was to buy the chronically depressed
18 rent collection of buildings. That was something
19 that actually has been raised in the committee
20 before. I am wondering if the Ministry or the
21 Minister would like to comment on that. I believe
22 they know how many units they are talking about
23 here. It is probable that they would know how
24 much it would cost to acquire them.

25 MR. CURLING: You are saying you
want a cost now?

MR. REVILLE: No. Has some work



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been done on how much it would cost to pick those units up to make sure they stay affordable?

MR. CURLING: Would you have any figures on cost to share with my colleague here?

MR. LAVERTY: We have not done any work on the cost to purchase such buildings. In ascertaining such costs, of course, the question would be at what price we would be obtaining them. I do not think that I would have a knowledge base at this point in time to say what the fair value would be in the circumstances.

As you recognize, the rents on these buildings are chronically depressed, and according to the usual valuation process in real estate ---

MR. REVILLE: I don't recognize that. That is what has been alleged, but I don't recognize that.

MR. LAVERTY: Well, if, in fact, there are no chronically depressed buildings, then, of course, it would cost us absolutely nothing.

MR. REVILLE: That is a cheap program.

MR. LAVERTY: Our statistics do show that there are chronically depressed buildings.

However, ---



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3 MR. REVILLE: Do they show how many
4 units that represents?

5 MR. LAVERTY: Yes. The estimates
6 depend on your definition of equity, but we are
7 talking about something in the order of one to
8 two percent of the units in the province.

9 MR. REVILLE: So that is up to
10 22,000 units?

11 MR. LAVERTY: That would be between
12 ten and 20,000 units.

13 MR. REVILLE: So, we can get some
14 idea of how much that would cost. Not very much.

15 MS. SHANE: Well, we would like to
16 encourage the government to buy these units. We
17 were very much in favour of a non-profit sector
18 but we feel if you are going to continually undercut
19 the market by letting affordable houses, affordable
20 rental units go up to non-affordable rental units,
21 you are going to be pouring good money -- well, the
22 good money that tenants have already spent is
23 going to be lost to them. That is a big concern
24 and we would like to see that that stock remained
25 even as non-profit units, for instance, are
increased to the province and to the municipalities.

MS. GIGANTES: I wonder if I could



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3 follow through with one more question along the
4 same line as Dr. Laverty. If there has been an
5 estimate made of the number of chronically
6 depressed units, is it an estimate that is based
7 on the kind of situation which has been laid out
8 for us by Kathryn Bernard in which she suggests
9 the existence of chronically depressed units is a
10 function of the fact that other units in the area
11 have been renovated, upgraded and illegally priced
12 in the market? Has there been an examination of
that?

13 MR. LAVERTY: The process of
14 classifying a building that is chronically
15 depressed includes the concept of ensuring that
16 the buildings are comfortable. So that we are
17 looking at buildings that are equivalent not only
18 in terms of location but also in terms of their
19 quality and in terms of the characteristics of the
20 units. So that those adjustments have to be made
prior to the classification of chronically depressed.

21 MS. GIGANTES: I don't think that
22 really answers the question. If we have two
23 apartment buildings side by side of the same age,
24 and in one, the landlord has done renovations
that make the place look a little chic and jack



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3 the rents by \$200.00 a month, and in the other, the
4 landlord has done standard maintenance, perhaps
5 kept to the guideline over the years, one is going
6 to look like a chronically depressed rent building
7 compared to the other.

8 MR. LAVERTY: The question at issue
9 there is whether the units are the same or not.
10 If one unit is renovated and the other one is not,
11 I would suggest that they are not equivalent units.

12 MS. GIGANTES: Well, you know, it
13 depends how long the varnish stays on the floor,
14 the chandelier stays up, and the paint stays on
15 the wall. I know that what she has described to
16 us is exactly true, that a unit which simply has
17 a floor sanded and a chandelier put up in the
18 dining area and the walls painted, and the tenenat
19 kicked out on the grounds, illegally kicked out
20 on the grounds that major renovations were going
21 to occur, can fetch \$200.00 and more when it goes
22 back on the market. Two hundred dollars plus the
23 old rent. You are aware of that kind of situation,
24 I am sure.

25 MR. LAVERTY: Well, the question is
in terms of the application of Section 128, Rent
Review Guideline 9, which has been a matter of some



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controversy before this committee. You have received deputations from both landlords and tenants on that matter. I will simply indicate that the Residential Tenancy Commission has made a number of decisions in the past with regard to whether or not a renovation, indeed, existed, and I don't think that I would be in a position tonight, or, indeed, whether it would be appropriate for me, to comment on the decisions of a quasi-judicial body.

We are aware that there have been representations in that area already. We are also aware that under the new Act, Rent Review Guideline No. 9 will pass into history and we very clearly indicated that interpretation of Section 128 will no longer exist.

MS. GIGANTES: Does that make you feel more secure?

MS. BARNARD: No.

MS. GIGANTES: Would you like to explain why?

MS. BARNARD: Well, the experience with that section, in this city, at least, has been that it is fairly well decided that those units are not new units. In any case, I have taken



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3 them to Rent Review and I have won for the tenants
4 that a bit of painting and a new furnace is not a
5 new unit.

6 In any event, these buildings would
7 not have been to Rent Review, they have been in
8 determination, and the landlord cannot even get a
9 determination without going to Rent Review, so we
10 are still looking at a presumption that somehow
11 this rent is legal when it is not, and comparing
12 it to a rent that is legal and calling it legal
13 when it is chronically depressed. That is our
14 problem.

15 MS. GIGANTES: That is what I was
16 trying to get at.

17 THE CHAIRMAN: The other question
18 is whether or not your knowledge base has increased.

19 Anything further?

20 MS. GIGANTES: Thank you.

21 MS. SMITH: This was really supple-
22 mentary to that question. I was trying to under-
23 stand whether, in fact, the illegality of something
24 would, at that point, enter into the consideration?

25 MR. LAVERTY: Yes, it would. If
you are talking about an illegal rent increase after
renovation which was not a renovation, then, of



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3 course, it would be a rollback and that part of
4 the comparability is obviously the rents that you
5 are looking at are illegal or not.

6 MS. GIGANTES: But if that illegality
7 has existed for the last three years, which it
8 would have in many places in Centretown, then by
9 the time we get to 1985, it is well established
10 in the marketplace and when you look at the
11 building next door, you are going to decide the
12 building next door is chronically depressed.

13 MS. SMITH: Well, everything is
14 appealable in a sense. I would assume that if it
15 were illegal, it would become part of the issue.
16 I don't know. If not, it is certainly something
17 we should look at, I agree.

18 MR. LAVERTY: I would think you are
19 right, Miss Smith, that the question is whether
20 or not the system of Rent Review, inquiring into
21 the facts, will ascertain whether it is legal. I
22 am not willing to assume that they will find it
23 is legal in a case where it is not legitimate
24 renovation.

25 MS. GIGANTES: If I could just
follow on that point? The problem is not with
the building which has been illegally rented at



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3 rents that are illegal values. The problem exists
4 for the tenants in a building which, by comparison,
5 you are going to call chronically depressed.

6 Now, are you saying that the tenants
7 in the buildings which are designated as chroni-
8 cally depressed now only has to figure out whether
9 his building is, for some reason, chronically
10 depressed with all the calculations that go on that,
11 but whether, in fact, the building next door has
12 gone through illegal renovations, illegal evictions
and illegal rent values?

13 MS. SMITH: The building next door
14 is part of figuring out whether it is chronically
15 depressed.

16 MR. CORDIANO: Surely that would
17 take into account the fact that one building rents
18 have been increased illegally, surely you are not
going to use that as a yardstick.

19 MS. GIGANTES: What else are you
20 going to use in Centretown?

21 MS. BARNARD: Another point here.
22 What you have got there is a circular question.
23 Your Rent Registry is going to show that illegal
24 rent and there will be no challenging it.

25 MS. GIGANTES: Exactly.



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MR. REVILLE: There is no tenant left to say.

MS. SHANE: One of the other points we were trying to make about tenants, you are not going to find those tenants to challenge that rent. Those tenants that are in \$600.00 units are going to have to have been there for two or three years and they are not going to know. The requirements for challenging require affidavits, require rent cheques, require leases. You are not going to get those unchallenged in the scenario that is now present and you are not going to get that comparison between that as what will look like illegal rents and what is not an illegal rent. It's a legal rent and a renovation which is not a renovation. It may be maintenance.

MS. SMITH: That is a good point, yes.

MR. CORDIANO: I am sure that the Ministry officials will be interested in looking at that with a fine-toothed comb.

THE CHAIRMAN: If there are no other questions, thank you very much for your presentation.

That completes our public hearings for today. We will reconvene again tomorrow morning at 10:00 a.m. in this same room and we will



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go through the day until around four o'clock or so.

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--- Whereupon Hearing Adjourned

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CERTIFIED CORRECT:

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J. Waddell, C.S.R.

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Je soussigné MICHEL OLIVIER, sténotypiste
officiel, certifie sous mon serment d'office que la preuve
qui précède est la transcription exacte et fidèle de mes
notes sténotypiques.

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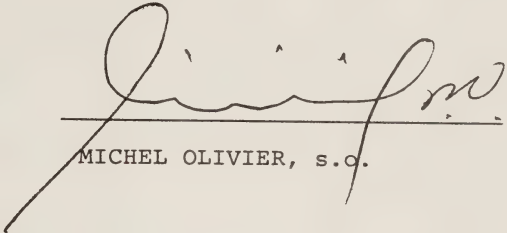
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MICHEL OLIVIER, s.o.

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STANDING COMMITTEE ON RESOURCES DEVELOPMENT

RESIDENTIAL RENT REGULATION ACT

FRIDAY, SEPTEMBER 19, 1986



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

Cordiano, J. (Downsview L)

Epp, H. A. (Waterloo North L)

Knight, D. S. (Halton-Burlington L)

Pierce, F. J. (Rainy River PC)

Reville, D. (Riverdale NDP)

Smith, E. J. (London South L)

Stevenson, K. R. (Durham-York PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Gigantes, E. (Ottawa Centre NDP) for Mr. Ramsay

Gordon, J. K. (Sudbury PC) for Mr. Taylor

Hennessy, M. (Fort William PC) for Mr. Stevenson

South, L. (Frontenac-Addington L) for Mr. Knight

Also taking part:

Grandmaître, Hon. B. C., Minister of Municipal Affairs (Ottawa East L)

Clerk: Decker, T.

Staff:

Richmond, J. M., Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Housing:

Curling, Hon. A., Minister of Housing (Scarborough North L)

Laverty, P., Director, Rent Review Policy Branch, Rent Review Division

Peters, F. H., Executive Director, Rent Review Division

Individual Presentation:

Dickie, J. W., Barrister and Solicitor; with Anderson, Goss

From the Douglas MacDonald Development Corp.:

Anderson, D. C., Vice-President

Individual Presentation:

Evenchick, A.

From Relocatable Homes Ltd.:

Sweetnam, P. H.

From the Canadian Development Institute:

Patterson, N. J., Executive Director

From the Fair Rental Policy Organization of Ontario:

Stoica, A.

From Bosada, Moore, Saikaley and Savone, Barristers and Solicitors:

Saikaley, C.

Individual Presentations:
Mukherjee, T.

Haboly, F.

From the Elgin Square Tenants' Association:
Dunn, P., Chairperson



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

* * * * *

BEFORE:

Floyd Laughren	-	Chairman
Joan Smith	-	Member
Joe Cordiano	-	Member
Herb Epp	-	Member
David Reville	-	Member
Jim Gordon	-	Member
Mickey Hennessy	-	Member
Leo Bernier	-	Member
Cam Jackson	-	Member
Hon. Alvin Curling	-	Member
Larry South	-	Member
Evelyn Gigantes	-	Member
Bernard Grandmaître	-	Minister

* * * * *

Sitting in the Westin Hotel, Ottawa,
Ontario, on Friday the 19th day of
September, 1986.

* * * * *

Nethercut & Company Limited,
185 Richmond Street West,
Toronto, Ontario
M5V 1V3

Per: J.F. Waddell, C.S.R.

THE CHAIRMAN: The resource committee will come to order. We now have all three parties with us. We have been joined by one member who was not here yesterday, Larry South from Frontenac--Addington. He is sitting next to the minister.

Today we have a full agenda running through until about 4:30 and the first presentation is from Mr. John Dickie. Mr. Dickie's brief was sent to us but somehow we do not have it. Oh, it just arrived. We will distribute those to members of the committee.

Mr. Dickie, if you would proceed when you are ready.

JOHN WALLACE DICKIE: Mr. Chairman, hon. members of the committee, since the minister has already commented on the colour of my tie, which is red, I might mention that he may have noticed last night it was blue. I also have a green tie in my wardrobe except my wife considers it clashes too much with my suit.

As you know, I am a lawyer in private practice in the city of Ottawa. Over the past four years I have appeared at approximately 60 hearings before the Residential Tenancy Commission concerning all attributes of that Act. I am also a past member of the Board of Directors of the Tenants Federation here and I'm still associated with that group.

My presentation today is primarily concerned with some of the technicalities of Bill 51, but it also

includes certain political elements and my background in that area I think is clear.

The first section that I made reference to was Section 1, suggesting that the question of condominiums be cleared up. That would continue the current practice and also was a provision contained in Bill 78.

My next point relates to Section 11(a), which provides that the minister may make referrals. I would suggest that there be additional bodies listed to make it clear that the minister can make referrals to these agencies. I have in mind specifically community legal clinics, other legal aid services, lawyers referral service, and advocacy groups representing landlords or tenants. The reasoning behind this is that when tenants or landlords inquire, their needs are often not merely limited to information but extend to advocacy and it seems pointless that they should be directed to the telephone book rather than being given the information directly.

I then have suggestions concerning Section 13 of the Act which relate to the jurisdiction of the minister. It is my suggestion that where a person claims a sum of money in excess of \$3,000, the minister be permitted to determine the lawful rent. As you know, by the constitutional limitations the minister cannot make an order, an inferior court cannot make an order for the payment of money in excess of

\$3,000. But the present law is that the commission can still determine the lawful rent and the applicant then applies to a District Court or Supreme Court as the case may be. I have indicated this continues the current law. The current law is reflected in a decision Phillpot and Anderson reported in the Ontario Lawyers Weekly, March 28, 1986, page 21.

My second point with respect to that jurisdictional section is that the current Section 84(3) of the Residential Tenancies Act be retained. I am calling this Section 13(7). That would allow the minister to arbitrate. That is the current provision. I believe it is very uncommonly used but it would seem appropriate to leave it available should parties wish to use it.

With respect to Section 15(2) I would suggest at least in municipalities of less than 25,000 the minister be directly responsible for enforcing the provisions of the Rental Standards Board. I would be even more comfortable if the ministry or the board dealt with the whole matter but if that is not considered feasible, then I would suggest at least in the smaller municipalities the minister take on that responsibility to provide for consistency of approach.

Section 18(5) provides for the minister to attach terms and conditions to the extension of time. My suggestion there would be that there be specific reference to allowing the minister to delay the first effective date of

increase, or indeed to delay all the effective dates of increase. In the current law there is no effective sanction for the landlord's failure to give notice of his application. The problem may be partly alleviated by the fact that when the landlord applies the ministry will now give a notice. I wouldn't anticipate that this problem would be very great but I would suggest that the provision be made. I will skip along a little bit here and try to emphasize the more important points here.

I would suggest a new subsection in Section 22. Section 22(a) as it is currently written provides for the minister to add parties, or the board to add parties to a proceeding. I would suggest that there be added the provision that the minister may make a person a party even though that party had no right, apart from this section, to be a party. To make it clear, in other words, that this is a general power to add anyone the minister feels appropriate, not merely the power to correct what was an inadvertent omission. This would continue the current practice but I have some doubt myself about the legality of the current practice in that regard.

I would suggest a new Section 27(a) which would require the minister or the board to open their offices at times convenient to the public, including at least one evening per week. This would continue the current law except for the

addition of the specific "including at least one evening". That reference would put teeth into this section. Under the current practice the section is there but in fact the offices are not open at those convenient times. Requiring them to be open by law at least one evening would enable the demand for the service to be seen. I submit to you that it would be substantial.

I would suggest that there be a list of terms and conditions included in the Act that the minister may use, and I have set out my suggested list in Appendix A. Again I will not refer to that in the interest of saving time unless we have additional time.

With respect to Section 41, there is a prohibition on members of the board from accepting or holding any office or employment inconsistent with the Act. I would suggest that the words "or property" be added after "office or employment". Indeed, excess property holdings might be even more inconsistent with the members' duties under the Act.

I made no comments on the rent registry section due to constraints of time on myself, and also constraints on understanding those somewhat complicated sections. I turn now to the sections regarding rent regulation.

With respect to Section 71(5), I perceive difficulty there in that the section is very open-ended. On its face it appears to allow a landlord to file his cost/revenue

information 90 days before the rent determination but only make his written argument, his written submissions, 40 days before the rent increase. Whereas of course that is not the intent. The intent is that the landlord will come in sufficiently early that the tenants can reply before the 40 days. Indeed, we should go one step further and provide time for the landlord to rebutt within the 40 days. Otherwise the landlord is enabled by this subsection, as it currently reads, to submit original material just 40 days before the hearing. Not before the hearing, before the effective date of rent increase. That would inevitably cause excessive delays in the process.

Now, with respect to Section 72(h), this is the provision -- or included in that provision is a withdrawal of financing costs no longer borne. If they took effect on and after the 1st day of August, 1985. In my submission there is no reason to draw the line at that date because the Residential Tenancy Commission is now removing such costs. So that, in other words, this is a direct change to favour of landlords to change the current practice but yet draw a line. Because the Act continues the practice for the future there is a recognition there that the practice is appropriate. We have it now, therefore my submission is there is no reason to cut it off at an arbitrary date.

Section 72(j) provides for the minister to prescribe matters the findings of rent increases. I would suggest that section be deleted because the calculation of the

rent increase is too important a matter for changes to be made by regulation rather than by statute.

Section 73 provides for a landlord who is applying for financing costs only, to start with the guideline rather than the operating allowance. Again I would suggest that that would be changed. The rationale for the difference between the operating allowance and the guideline is that landlords will have to incur capital expenditures from time to time. It is felt undesirable that they should have to apply for every trivial capital expenditure. In this case the landlord is applying in any event. He has these financing costs he needs to recover over and above the regular allowance. If he is doing capital expenditures, then let him prove them and receive the recovery for them. If he is not, then let him not make that recovery.

Section 74(2) relates to calculations of financial and economic loss where a landlord has previously proven his operating cost for a year two period. That is the current year. I would suggest that this subsection be deleted and the reason for that is the following. Under the present calculation process the year two costs as a base are not particularly relevant to the rent increase. The rent increase is the difference between the projected year and the year two. Now, you can reduce that increase by reducing the projected year, or you can reduce that increase by increasing year two.

So I, and I am sure other agents before the commission under the present practice, have not questioned year two costs. Indeed, I can think of a number of instances when I suggested that the year two cost should be raised because of the impact that has on the rent calculation in the current process. To allow the landlord now to take that year two, which was either unquestioned or indeed fed if you like, would be unfair in my submission. In particular, I object to giving the landlord the election because it means obviously that when the landlord has benefitted he will do the one thing; when this benefits him he will do the other. There is automatically a gap there, a problem there.

Section 75(2) relates to capital expenditures again with the arbitrary cut-off date of the 1st day of August. With the additional proviso for 80 per cent. I support the position of the Tenants Federation in that regard.

One of the proposed amendments, Section 75(1)(aa) appears to suggest that the value of guarantees should be treated as a capital expenditure. I would leave aside the question of legitimacy of doing that, but the concern I have is that there will not in that case be a recurrence of this because the guarantee is given once to the investors at the start-up of the building. This is not a capital expenditure, therefore, that will recur so you can't wait until it recurs to take it out. You have to have some mechanism to take it out. I would submit a mechanism should be provided and it

should apply generally to capital expenditures which will not recur. In that case it will cover these rental guarantees as well as anything else that we may not have thought of at this point.

You should strike my reference to Section 77. I had a misunderstanding or misreading of the Act which was cleared up by reading the ministry's submissions and some of the questions that you hon. members asked at that time.

MR. CURLING: You have got to be kidding.

MR. DICKIE: Section 79(1)(4), Section 79 I believe has to do with equalization, or rather the apportionment of the rent increase. As the Bill stands there is no possibility with regard to the differences in the services and facilities provided to individual units. In my submission that should be included, it should be very definitely included. Also the standard of maintenance. You will see in Section 72(f) that in determining the total amount of the rent increase the minister is to have regard to these things with respect to any rental unit, and unless the minister can have regard to them on a question of apportionment, then the fact that one tenant has water gushing in his roof and no heat and hydro will reduce the whole rent increase but not affect the rent of that unit. Whereas logically it is the rent of that unit that should be affected.

Now, Section 80(2)(a), I would propose an

amendment there. The ministry has set forth an amendment relating to that which it has numbered Section 79(3).

Essentially that should cover that particular problem. The ministry's list says Section 79(3): Apportionment of increase, add (3) to make clear that rent for a unit may be decreased. My only additional comment is that the suggested provision should apply generally within this part of the Act, not merely being restricted to that particular type of application.

One thing that I do not see in the ministry's amendments necessary to give this full effect is what I have set out in Section 80(2)(b). This is a provision that where the minister makes an order which results in a rent decrease, the landlord may not increase the rent for a period of at least twelve months since the date ordered by the minister. The point here is that the general provisions regarding the timing of increases prohibit rent increases within twelve months of a rent increase. Whereas what the minister would have done here is a rent decrease. So unless there is a specific provision the landlord could come along and say, well, two months ago I had a decrease but it is fourteen months since I had an increase, therefore I can take an increase now. Again that provision should apply to the whole part.

Section 81(5), which I have suggested, and Section 81(6) are the reciprocal provision for those in Section 80, and again demonstrate the need for the two

provisions to relate to the whole part.

In Section 87 there is a provision that landlords may only charge an amount despite the fact that the maximum rent is higher than that amount. I would suggest that there be a Subsection (2) added which would provide that when the minister is stating the maximum rent he should also state the authorized actual rent. The rationale for that is that it would provide certainty, prevent confusion if there are any rent arrears. I can see a situation of proceedings being taken for arrears in District Court and the landlord pointed to the minister's order and the tenant would be hardpressed to convince a perhaps hurried, harassed District Court judge who has eight more cases to hear that lawfully the landlord cannot charge that amount which is, after all, set out right in the minister's order.

Section 88(3) provides for increases to take place immediately if tenants leave. I would suggest that this be deleted because it would encourage landlords, it is an invitation to landlords to encourage their tenants to leave.

The financing cost provision -- rather, the provision for the removal of financing costs no longer borne is in Section 90. Again it refers to this arbitrary cut-off date. It has a provision that, I take it this is, if you like, a de minimis provision, a provision to prevent the

minister from having to deal with very small amounts. It provides, as it stands, that the financing costs no longer borne provision applies only if the new mortgage is lower by 2 per cent or more than the interest rate that justified the rent increase. Now, 2 per cent sounds like a small amount. However, what you need to observe is that that is 2 per cent on the interest rate. It is not 2 per cent on the rent. If you take a fairly typical situation where financing cost is 30 per cent of the rent revenue, a 2 per cent interest rate increase from 10 per cent to the 12 per cent on the mortgage would have justified a 6 per cent rent increase. If financing costs were more, if the interest rate increase were more than 2 per cent, and at times they certainly were, then these would be huge rent increases. Therefore I would suggest a provision be reworked so that the critical factor is the amount of rent increases justified by the previous increase in the financing cost. I think technically there is no difficulty in doing that. The order sets out the amounts and it could easily be calculated.

In Section 91 I would suggest a new subsection which would provide that in considering a change in the services and facilities provided the minister may consider the costs to the tenant of replacing that service and facility instead of or as well as the savings and costs experienced by the landlord. Landlords often remove services, I can think

of one, for example, cablevision, at a cost of, say, \$2 a unit when the tenants have to replace it at \$8 a unit. I am not suggesting that it should automatically be eight but I am suggesting that there should be a provision for having regard to all the circumstances.

Section 91, again I would suggest that you amend with a new Subsection (4)(b). Section 91 is the application by the tenant because things have been worsened in the complex. I would suggest that there be a provision that would enable the minister to alter the rent for the whole building. This would be in keeping with the whole building philosophy of the Act. There could be a provision that there should also be -- there should also be a provision regarding reducing rents because of -- I am sorry. This whole building philosophy is reflected in Section 71 and also Section 90, and I think the whole attitude.

MISS GIGANTES: There seems to be a line missing on Section 91(4)(b). My last line says "An Order under paragraph 5(b) in respect of".

MR. DICKIE: It should read "those units".

MISS GIGANTES: Thank you.

MR. DICKIE: With regard to Section 92, this section is to retroactively deem increases to have taken effect. I would recommend that there be added the provision that these be accepted except to the extent that the tenant

can show that those increases could have been successfully
disputed under Section 127 of the Residential Tenancies Act.

If we were to deem the landlord to have taken increases, surely
we can also deem the tenant to have disputed those increases
to the extent that he was permitted by law to do.

With respect to the rent rebate, Section 92,
I suggest there be a provision for the minister to include
paying interest on the excess rent. As it stands there is
anomaly because when the tenant can go to court because the
rent rebate or illegal rent exceeds \$3,000, the court will
award interest under the Course of Justice Act. Whereas where
the tenant is going to the commissioner or the minister, the
tenant will not be able to get that. Again Phillipot and
Anderson was the District Court case in which that was done.
Again, it doesn't penalize the landlord. It is not punitive,
it just restores the parties to where they would have been
had the tenant been able to bank the money and the landlord
not been able to bank the money.

In Section 90(4) -- I apologize for moving
back a little bit here, there is a provision -- Section 90
is relating to the decreases in financing costs. It seems to
me that there should be a provision allowing the minister to
equalize in those cases. It seems a pity to miss an oppor-
tunity for paying less equalization. Here is a case where
you are going to reduce rent so why not leave some people with

a normal rent increase if they are at the low end of the scale and merely reduce the high end rates. If we believe in equalization, then surely this is a painless way to have it done. That way you and the other hon. members will be having fewer irate phone calls from your constituents subject to the hard end of equalization.

With respect to Section 97, these are provisions on charging amounts of money. I have regard to a number of cases of tenants who have come to me with particular problems and would suggest certain amounts be chargeable by them. Specifically with respect to Subsection (c) that prohibits subletting tenants from gaining any consideration from the sublettee. I would submit that the subletting tenant should be able to recover the reasonable expenses of the subletting, including legal fees paid to obtain a court order under Section 91(5) of the Landlord and Tenant Act. This is where the tenant has to go to force the landlord -- or rather to dispense with the landlord's consent. In addition I would add after Subsection (d) "except as authorized under Section 97(3)" which is a new subsection I am proposing. That would allow again -- I can read what I have proposed. This is a subletting tenant:

"Where a tenant has the bona fide intention of returning to the rental unit after having sublet it and wishes to leave his furniture,

appliances or furnishings in the rental unit
or wishes to maintain facilities provided by
other agencies including cablevision and
telephone, the tenant may apply to the minister
for an order permitting him to charge the sub-
tenant the fair value of the use of the
furniture, appliances and furnishings and the
cost to the tenant of the facilities..."

Otherwise the law as written means that the
tenant may be leaving his furniture for the new tenant, maybe
leaving a telephone for the new tenant who may well be a friend
but he can't recover those costs because they are deemed to be
rent and prohibited from recovering anything in excess of the
existing rent.

Under Section 103 I would suggest additional
penalties be added. Section 118(1)(h), an offence of harassing
a tenant for the purpose of forcing the tenant to vacate or
abandon the rental unit. That is currently in Section 123(1)(d)
of the Residential Tenancies Act, and I would submit that it
should be retained. Logically I suppose that it should be in
the Landlord and Tenant Act, but we have it in the Residential
Tenancies Act, we are dealing with it and let us leave it in
this Bill. I would suggest two additional sections making it
an offence to interfere with the organization or participation
in a tenant's association. As it stands there is no sanction

section. Tenants have the right, the Act says they have this right, but when the landlord interferes there is no offence. Now, that doesn't guarantee the right very well. I think the committee need not be concerned with the excessive use of this section because of the trouble and expense entailed in initiating the prosecution.

Lastly, with respect to offences, there should be an offence -- it should be an offence to harass a person for the purpose of preventing the person from exercising his or her rights under this Act. Again, the obviousness of this seems to me to be apparent.

Now, the last important and somewhat substantive aspect here has to do with Section 124. That deals with when the current Act is to continue and when this Act is to apply. Section 124(1)(3) says that the RTA shall be continued in respect of a court proceeding to which the Residential Tenancy Commission is a party. Now, as it stands, for the most part the Residential Tenancy Commission is not a party. It is, rather, entitled to be heard and that is the provision that is needed. To cover appeals, let us say, to the Divisional Court from the appeal panel. The commission is not a party but it is entitled to be heard. I would also suggest a new paragraph (4) which would continue the current Act in respect of a court proceeding commenced before the date this section comes into force in which the parties are relying on the Residential Tenancies Act. Otherwise you may have tenants,

and I can think of a number of my own clients, who will be partway along the District Court route and as the Act currently stands would be forced to discontinue, possibly with costs against them, and recommence proceedings under this Act.

Lastly, with respect to subparagraph (2), this provides an election for parties to continue under this Act or the new provision. I would suggest deleting that and leaving the situation clear one way or clear the other way in accordance with (1) of that section. Those are all my submissions to this committee.

THE CHAIRMAN: Thank you, Mr. Dickie, for your very, very specific comments on the Bill. The committee will I am sure find those helpful, particularly when we get into the clause-by-clause study of the Bill which will be precisely that specific.

Any questions of Mr. Dickie before we move on?

MISS GIGANTES: One comment is that it seems to me that the basic approach you are taking is to try and save us headaches.

MR. DICKIE: You and me.

MISS GIGANTES: Thank you.

THE CHAIRMAN: Thank you very much for that presentation.

MR. DICKIE: I might just in conclusion thank the local office of the Residential Tenancy Commission for supplying copies of the brief which I had inadvertently

delivered not to the right place.

MR. CURLING: They are always coming along at
5 the right time.

THE CHAIRMAN: The next presentation is from
the Urbandale Realty Corporation. Is Mr. David Anderson here?
Mr. Anderson, welcome to the committee.

MR. ANDERSON: Thank you.

THE CHAIRMAN: Mr. Anderson's brief has been
distributed. Whenever you are ready.

MR. ANDERSON: Good morning, Mr. Chairman, Mr.
Minister and members of the committee. First let me introduce
15 myself and the company that I represent. My name is David
Anderson and I am vice-president and partner in the Douglas
MacDonald Development Corporation. I am here in this time
slot as a replacement for Mr. Peter Burns of Avondale Realty.
20 Peter was to have addressed you this morning in his usual
eloquent way, but unfortunately he was called out west on
some urgent family business and he invited me to take his slot.

Yesterday I had an opportunity to listen to
25 Mr. Irving Greenberg of Minto Construction address you, and
apart from his obvious marketeering with references to his
company's latest projects, we heartedly endorse all that he
had to say about the rental market in Ontario.

THE CHAIRMAN: His commercial didn't go
30 unnoticed.

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MR. ANDERSON: Did he sign any leases?

THE CHAIRMAN: I don't know.

MR. ANDERSON: As well as his comments about Bill 51's effect upon the rental market. He was asked several questions after his address and I think his views could be said to be in general those of the residential development community. Enough of Mr. Greenberg.

This brief is being made on behalf of the Douglas MacDonald Development Corporation in its capacity as developer and landlord. The Douglas MacDonald Development Corporation has been a developer of note in the Ottawa region over the past 27 years. Prior to 1975 we were responsible for the construction and management of over 1,100 rental apartment units, the majority of which we still own and manage. During the same period, we built a variety of residential accommodation for sale, ranging from luxury single family homes through condominium townhomes and highrise apartments, along with some co-operative housing and approximately 2,000 units for the Ontario Housing Corporation. As part of their program for the provision of affordable housing. Although our company has not been engaged in the construction of rental apartment buildings since 1975, residential construction for sale, continues to be a major part of our one hundred million dollar annual development business. In short, we are a company with all the necessary qualifications in terms of experience, know-how and

financial resources necessary to again become a major developer of rental accommodation in Ontario.

I'm sure it would come as no surprise to this committee to learn that MacDonald Developments is opposed to rent controls, however, as responsible corporate citizens we realize that the government is faced with the problem of ensuring that the residents of Ontario have the opportunity to be housed in good quality rental accommodations which they can afford. We believe as a representative of the private sector that the best way to provide that opportunity is for the government to create an environment in which the development industry feels confident to build rental accommodation. While the development industries ultimate goal is the abolition of rent control and a return to the free market system, Bill 51, with its recognition of a reasonable rate of return on equity, is certainly a step in the right direction.

After giving you a view from the perspective of the developer, let us now look at Bill 51 from the property management viewpoint. We believe Bill 51 with its proposed amendments addresses several areas which have been a source of irritation if not substantial cost to a company or an individual in the management of rental properties in the province of Ontario. To cite a few examples: Under present rent control legislation, automatic rent increases (as opposed to those made by application) were controlled by an arbitrary

figure established by the government of the day. Under Bill 51 these increases are now tied at least in part, to a formula based on inflation. We believe this is to be a fairer approach.

Another reason for the passage of Bill 51 is its approach to the application procedure for rent increases higher than the amount permitted by legislation. At present, in an application where a landlord is applying for a rent increase higher than the arbitrary figure set by the government (presently 4 per cent) the landlord is put to the substantial expenditure of time and money just to present his case, all at the risk of having the application rejected.

Under the proposed Bill 51, as amended, it is contemplated that those proceedings will be considerably less onerous and possibly only in the event of an appeal will it be the subject of a full scale hearing.

Another important feature that Bill 51 addresses is the question of capital expenditures and their effect upon rent increases. Presently, a landlord must first make the expenditure and hope that through application for rent increase he will be able to recover the cost of such expenditures over a reasonable period of time. We understand that under Bill 51 the landlord will be able to receive an advance decision as to the recovery of the cost prior to making such expenditures. We see this as a positive step towards more satisfactory standards of maintenance throughout the industry.

Rent controls were established initially to protect the rental community from the actions of a few irresponsible individuals. I am sure that the controls which were implemented certainly achieved that end. However, they unfortunately went much further than that and are undoubtedly the cause of the reduction in the supply of rental housing and the deterioration in the maintenance standards of the existing stock. MacDonald Developments believe that the only satisfactory solution to the rental housing crisis in Ontario is the gradual abolition of rent controls. However, having regard to the present legislation, we believe that the passage of Bill 51 in its amended form is a positive step and urge the government to pass it as soon as possible.

As indicated in the opening part of this brief, between 1961 and 1975 the Douglas MacDonald Development Corporation brought on stream several hundred rental apartment units to the private sector market as well as having played an active role in the injection of another 2,000 units to the social housing system. Since the introduction of rent controls in 1976, we have substantially reduced our efforts in the development of rental units and have directed the main thrust of our resources to the building of houses for sale and the development of commercial leasing space where we have enjoyed a fair return on our equity.

In no uncertain terms, I can assuredly state that

as long as the rent control system stays in its present form and without the passage of Bill 51 or other legislation of a similar thrust, the rate of development of rental apartment units throughout Ontario will not achieve a level which will meet the needs and demands of the rental community. I know that these thoughts are not isolated to our corporation but that these sentiments are shared throughout the development industry across Ontario.

Mr. Chairman, I will not end this brief on such a negative note but I will ask that you and the committee take into consideration the points made by myself and the other representatives of landlords and developers. It is not our intention to take unfair advantage of those who make it worth while for us to be in the development and landlord business, but rather that both the landlord and tenant be treated fairly. For the tenant the benefit will be a replenished stock of new high quality rental units complete with adequate maintenance programs; for the developer and landlord, a realization of a fair return on their investment dollar as well as a realistic source of funds to achieve the proper level of maintenance. In closing, I would like to say, with all sincerity, I know that with government, tenant, developer and landlord all working in concert we can work out a fair arrangement for all. An arrangement where everybody benefits.

Thank you.

THE CHAIRMAN: Thank you, Mr. Anderson. It is not often a brief ends on such a positive note. We need that every now and again. Are there any questions from members of the committee? Miss Gigantes?

MISS GIGANTES: Mr. Anderson, thank you for your brief. I wonder if you could describe something about the rental holdings that you have developed before 1976? You had 1,100 rental units. Are they still in your ownership?

MR. ANDERSON: The majority of them are, yes.

MISS GIGANTES: How old were the newest of them when rent review came in?

MR. ANDERSON: A year and a half.

MISS GIGANTES: Did you get equity recovery of a satisfactory nature?

MR. ANDERSON: That would have come, I would think, about a year later. I think we used to look at probably a two and a half year settling in, if you wish, of the property before you could realize a rate of return.

MISS GIGANTES: And that was lengthened by rent review or not?

MR. ANDERSON: We haven't built ---

MISS GIGANTES: I am talking about the newest of the properties that fell under rent review?

MR. ANDERSON: We haven't built any properties since 1976.

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MISS GIGANTES: I understand, but before 1976
you had 1,100 properties, some of them were relatively new, and
you had to wait a period for equity return?

MR. ANDERSON: Yes.

MISS GIGANTES: Of a satisfactory nature. Part
of that waiting period fell under the time frame of the Residential
Tenancies Act?

MR. ANDERSON: A very small part of it. I think
I said that the newest of our properties would have been within
a year and a half of rent control being imposed and we normally
waited two and a half years ---

MISS GIGANTES: What I am trying to find out is
whether on those properties you noticed a significant difference
in the waiting period for a satisfactory return on equity.

MR. ANDERSON: I don't think the question is
relative. We were well into our waiting period anyway and our
rents would not have been affected for another year beyond that.

MISS GIGANTES: I see. Have you made rent review
applications for those holdings?

MR. ANDERSON: Yes, we have on some of them.

MISS GIGANTES: And did you have a problem
getting rent increases that covered costs or improvements,
capital improvements?

MR. ANDERSON: In the early stages of rent
review, yes. Lately we found that the reviews have been more

5 fair. And if I can cite an example, we applied for one
building, I think at the time, and I have to rely on my memory
for this, but it was in the days when the automatic increase
was 6 per cent. I think we applied for an increase of 9 per
cent based on the expenditure, some capital expenditures, and
I think we were awarded 3 per cent. In other words, less than
10 we would have got if we had not applied at all.

Now, I can't give you the details of the
application because it's a number of years ago but that is one
situation where we didn't feel we had been treated fairly.

MISS GIGANTES: Thank you.

15 MR. GORDON: Mr. Anderson, I want to thank you
for a very clear and lucid brief. It is obvious no one took
you into a room and said, now, repeat the words "delicate
balance" ten times so you know how to say them before this
20 committee. I think that has probably done more damage to our
perception of those kinds of briefs. I think your brief goes
a long way towards repairing some of that damage. I might say
it is very lucid, you make your points well, and we certainly
25 have to consider them.

MR. ANDERSON: Thank you.

30 MR. CORDIANO: Mr. Anderson, it is a very
positive brief and I think there are many aspects of the Bill
that over the last several weeks and beyond that we have heard
from many deputantes and the number of points that you make here,

certainly as we have heard there is this delicate balance. On page three, I want to talk a little bit about maintenance. This seems to be developing as a very important aspect of the compromise that has been struck.

I see that you make reference to the standards of maintenance. Can you elaborate a little bit on what in fact you might see happening with maintenance in various buildings? I see the portfolio that your company now manages. You have a maintenance problem in your buildings?

MR. ANDERSON: We have to do maintenance.

MR. CORDIANO: I mean, is it a deteriorating situation with regard to the portfolio that you now manage or do you feel that you maintain relative standards of maintenance which are acceptable, that would be acceptable under the proposed sections of the Bill that deal with maintenance?

MR. ANDERSON: I think our buildings, and again not wanting to take the shine perhaps away from Irving Greenberg, but I think our buildings would be maintained as well if not better than those of Minto Construction. We believe very strongly that we should keep our properties in a state of proper repair. In fact, we have put a lot of our own money into maintaining our properties because we believe that keeps the value of the building up and that is important to us. So that we are not concerned that we won't meet any minimum standards that the government may set with regards to maintenance.

nance in buildings.

MR. CORDIANO: I guess it is a question of
determining what that minimum standard will be and obviously
-- have you had many complaints? I know this is going to be
coming from you as a property owner. We have heard from some
tenants that there are definitely problems in many buildings
in this region, but do you have complaints coming before you
from tenants and have you gone to rent review as a result of
making renovations or updating those units?

MR. ANDERSON: I think it would be ridiculous
to say that we haven't had people asking us to do renovations.
Certainly we have had those requests. I believe we have
looked after them all within a reasonable period of time.

Some maintenance problems stem from the way
our building is used, the way -- perhaps a unique weather
situation, for example, could affect one side of a building as
opposed to another. So that there are always, what shall I
say, technical problems which take a little time to resolve.
But I think we are a company that appreciates that they have
to keep their property and goods in a good state of repair and
there is a way to attend to those.

MR. CORDIANO: So you would perceive no
difficulty in applying the maintenance standards that might be
set in this Bill?

MR. ANDERSON: None whatsoever.

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MR. CORDIANO: Thank you.

5 MR. GORDON: You have not built for quite awhile.
Would this encourage you to build, this kind of rate of return
that they're looking at now?

10 MR. ANDERSON: This would be a first step to
looking to build. You have to I think bear in mind also the
investment climate, if you will, that we are in. We are still
in a time frame of interest rates of 11 per cent for long-term
money. We always used to look at a figure of 9 per cent to make
rental accommodation work, to give the developer a reasonable
15 rate of return. Let's hope we are heading in that direction.

THE CHAIRMAN: Thank you, Mr. Gordon. Mr.
Curling.

20 MR. CURLING: Mr. Anderson, would you say that
you are coming nearer to understanding what the rent review
process is all about? I will not use the word "players", but
all the clients or individuals involved in rental property, do
you think that we are coming closer by consulting and sharing
ideas? In other words, my direct question to you is: Do you
25 think we are understanding tenants more and their concerns by
the process that we go through?

MR. ANDERSON: "We" being the government?

MR. CURLING: "We" being people?

30 MR. ANDERSON: "We" being people? Well, I was
giving that some thought this morning and I suspect that -- what

shall I say -- animosity is perhaps too strong a word, but perhaps the mistrust that exists between tenants and landlords and landlords and tenants has probably existed since Plato's time. You asked me are we getting any closer, let us hope so, to understanding one another. I certainly think the process that we are going through offers a forum for better understanding yes.

MR. CURLING: Would you say, then, that the ideas and suggestions that we are getting, we have to really balance those ideas in order to come to some agreeable forum?

MR. ANDERSON: As I said in my brief, I think the best balance is a free market. We don't have a free market. We still have rent control.

I think the Bill that you are introducing, in its amended form, gets closer to a free market. I think it recognizes both sides of the fence, if you want to use that as a relatively soft term, between the landlord and tenant. I think it recognizes both sides of the question, yes.

MR. CURLING: Thank you very much.

THE CHAIRMAN: Mr. Anderson, thank you for your presentation.

MR. REVILLE: Hey, Floyd!

THE CHAIRMAN: I am sorry. I heard you muttering down there but I did not think you wanted to ask any questions.

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5 MR. REVILLE: Thank you, Mr. Chairman. Mr. Anderson, you are the 75th developer or landlord which has been before the committee.

MR. ANDERSON: Do I get a button or a prize?

10 MR. REVILLE: You get two million dollars. Each of those deputations has talked about the dislike of rent review, rent control. I wonder if you can tell us when you think rent control will be lifted?

MR. CORDIANO: Do you have a crystal ball?

MR. ANDERSON: I don't think I can answer that.

15 MR. REVILLE: You did not build between 1975 and 1986 any market rental units, that is correct, isn't it?

MR. ANDERSON: A few. We didn't build any rental apartments. We have built some low-rise, mostly town-houses.

20 MR. REVILLE: That was in a period when there was no rent control at all on buildings built after 1976?

MR. ANDERSON: Yes.

25 MR. REVILLE: Why would you now build, then, when rent control is extended to all rental properties?

30 MR. ANDERSON: I don't think I said I would build. I said that with Bill 51 in place we would again consider building. But I also said that another factor in that decision to build rental accommodation would be the economic situation at the time.

MR. REVILLE: So that your comments about a replenished stock of new high quality rental units really requires an investor climate that might exist quite separately from any legislation?

MR. ANDERSON: That is our perception of it, yes, but developers may find ways to sharpen their pencils.

MR. REVILLE: If, as I think is going to happen, the Conservatives and the New Democrats vote against this Bill, what will your attitude be at that time?

MR. ANDERSON: With regards to building rental units?

MR. REVILLE: Yes.

MR. ANDERSON: I think we will probably continue to build a minimum amount. I don't think we would expand our interests in rental accommodation, no.

MR. REVILLE: Thank you very much, sir.

THE CHAIRMAN: Just following up on what Mr. Reville has said, that has always bothered me, too, that after 1975 -- history has proven differently, but after 1975 there was no indication there was going to be rent controls on new buildings. Yet the industry did not build.

MR. ANDERSON: I think you scared the industry. I think the industry said if they put on rent controls up to 1975, when will they come along and apply them to all of them?

THE CHAIRMAN: They wouldn't do that. Thank you

very much, Mr. Anderson.

5 The next presentation is by Mr. Evenchick. Is
Mr. Evenchick here? Your brief has been distributed and
welcome to the committee.

MR. EVENCHICK: Thank you.

10 THE CHAIRMAN: Whenever you are ready, Mr. Even-
chick.

15 MR. EVENCHICK: Thank you, Mr. Chairman, and
committee members. My name is Abby Evenchick and everything
I say this morning should be taken in terms of my being a small
landlord.

20 This brief will attempt to present the facts and
avoid the statistics, the abstract, the biases and recrimi-
nations, which all can be slanted to justify the position of
both the landlord's and tenant's viewpoints. It will also
attempt to offer some constructive suggestions and solutions
to our present dilemma.

25 By definition, I am, like my father before me
a small landlord residing in Ottawa. Since the inception of
rent controls I have reduced my rental inventory from 452 units
in six buildings to the present 82 units in one building. The
remaining rental complex is at 272 Bronson Avenue, within the
city core, 21 years old, eleven-storey modern building, one and
30 two-bedroom mix, serviced by two high speed elevators, with
adequate tenant parking, is mortgage free, has an aggressive

property tenant's association, and is seeking a first time rent review increase.

5 The capital provided by the reduction of residential units has since been employed in commercial building investments, which provide a greater return on equity, fewer problems, less risks and no controls. A free market which fluctuates with the economy.

10 Born in Ottawa, 61 years ago, I can historically recount the position of small landlords and tenants in this region from experience far beyond most people present at this hearing. Bear in mind that this is Ottawa and not Toronto, as
15 conditions in these two metropolitan areas have considerable differences.

 The major reason for being a small landlord is to supplement one's income, while working at another job.
20 Remember this in context to present rent controls on pre-1976 buildings. I speak for the many small landlords who have held the same properties for 20 to 25 years without intention of flipping them for a profit. I shall repeat: The major reason
25 for being a small landlord is to supplement one's income while working at another job.

 It may come as a surprise to some people, but there has always been an affordable housing crisis in Ottawa, and I suppose there always will be one. There was rent and
30 occupancy legislation under the war time prices and trade board from 1945 to 1952. I recall that my father reduced his rental

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scales from 10 per cent to 15 per cent during the early 1930s, when public servant's wages were reduced a like amount by the federal government. This was done both in sympathy and necessity, and is a good example of a free market finding its balance. Ottawa is still a government city, but the scenario has since changed.

The small landlord was then the backbone of the residential rental market. The exceptions were the likes of Lauzon of Lowertown and Shenkman of Uppertown, who could not be called "majors" in today's context, since their combined holdings were not significant by comparison to the many small landlords.

In this era the small landlord, in most cases managed his own property, did his own accounting, collected his rents personally, made minor repairs to his buildings with his own hands, helped put out the ashes of coal-fired furnaces, struggled with the garbage (there were no Glad bags in those days) and would worry about where his next dollar would come from to meet the next mortgage payment. Except for putting out the ashes little has changed for the small landlord, who is on a twenty-year hold.

What did change was the entrance into the rental market of the 1940s, by major operators who were enticed by 3 1/2 per cent CMHC mortgages and other incentives, commenced building for the returning military personnel and the baby

boom. I was one of the military who married and could not find accommodations without substantial key money being asked for. With successive federal, provincial and municipal intervention came grants, co-ops, condominiums and MURBS which distorted the free market system.

It is my personal view that the destruction of the free market commenced in the 1960s with massive redevelopment. By way of direct and indirect government assistance redevelopers were able to offer the small landlord purchase prices for buildings far beyond their existing economic value, either to be demolished for land sites or refitted for massive rental increases. These redevelopers had the financial backing, the establishment and the knowledge, not available to the small landlord, to upgrade buildings, increase their revenue and resell them at previously unheard of profits. Severance exacerbated this trend of transferring affordable housing away from the small landlord, and into the hands of syndicates and absentee landlords. Coupled with the demolition of older units by developers for use as modern high rise buildings at higher rents, the inventory of housing in the hands of small landlords was drastically depleted. The backbone of affordable housing was crumbling.

In 1976 rent control legislation was enacted far too late for the intended purpose, and did more harm than good by controlling the revenue of the small landlord, while

still allowing opportunities for the developers and redevelopers who continued to convert and build without rental limitations.

During the next few years of double digit inflation increasing numbers of small landlords caught in the squeeze threw up their hands in frustration and sold out. It was no longer worth their while to seek the diminishing returns of the supplementary income provided by ownership of pre-1976 rental units.

Some of these residential units were picked up by unscrupulous owners, who defied the rent control legislation, increased revenue substantially and resold at a profit. There is now a major rent imbalance amongst older residential units due to this phenomenon, which will not be corrected until all rents are allowed to find their own economic level.

There is a similarity between herbicides greatly reducing certain bird populations during the 1970s and rent controls diminishing the numbers of small landlords, who have held their building for many years. Laws were eventually enacted to ban the use of these destructive herbicides, for the survival of the remaining bird population, and without question laws should be enacted to protect the small landlord who is also an endangered species. Now after the history come the facts.

To whom does affordable housing apply? Certainly not the owner, who is caught in a pre-1976 building which has not changed hands. Certainly not the majority of tenants in

his building. Due to the minimal turnover of tenancy in this 21-year old building, there remain some of the original tenants. Three of the 1986 vacancies were from old age related deaths. On inspection of the parking area, you will find late model and luxury import vehicles, which do not reflect tenants who require social assistance in housing. There is a misconception that by retaining a low rent schedule in this building, you are assisting those 10 per cent to 20 per cent of tenants at large who required it. The owner is now subsidizing many well-to-do lessees, who would be foolish to move out under the existing rent control legislation, only to pay double the rent for similar accommodations. Their failure to move leaves little or no openings for those on low incomes to find a vacancy in this building with depressed rentals. There is no match between these low controlled rentals and those people who can only afford that rent. I am told that my lowest rent one bedroom, living room, kitchen and bathroom unit, matches a city of Ottawa subsidized one room with a two burner hotplate further down the street. It is not comforting to know that my municipal tax dollars help subsidize that unit.

The building I own was not constructed or ever intended to be used for low income tenants or affordable housing. It was built to be occupied as a medium priced residential complex, and I want to continue to operate it as such. I do not aspire to be a low priced, low service landlord, with affordable

housing as my objective. Against my desire and judgment to retain a medium priced complex, rent controls are forcing me into the lower range.

Through regressive legislation the province has transferred the burden of affordable housing from themselves to the small landlord. It is not the fact that it was accomplished, but the insidious manner in which it was accomplished which is unfair. Taxation is acceptable, but tinkering with the small property owner's rights is not.

If there is to be affordable housing for low income tenants, let the province establish a levy on all apartment dwellers, and use these funds to subsidize directly those people who require social assistance.

I own a rental complex in which I desire to maintain and offer amenities for medium priced rentals. It is time that I was allowed once again to run my complex as I see fit, and it is once again time for the government to fulfill its obligation for social assistance.

During recent years I have noticed a diminishing return on my property. It has been impossible to maintain high standards in light of the reduced return. Quite frankly, I can no longer take the pride of ownership in my complex that I took prior to rent controls, and I concede that the tenant's pride of residency has also dropped. The vicious circle created by reduced income, to reduced standards, to maintaining low

rentals is self-perpetuating. These low rentals attract tenants whose top priority is low rental, and not necessarily quality of their residence. Fortunately, I am not yet to a point where graffiti is sprayed on the walls and initials etched in the elevator doors, but I fear it is only a matter of time unless this trend is reversed. To keep the complex at the level of quality the owner desires, he must be allowed adequate income to polish the marble entrance and refurbish the building and contents in general. With one bedroom units starting at \$292.00 a month and two bedroom units starting at \$386.00 a month, the desired standards are impossible to achieve. While the term older building may conjure up a vision of a rundown building in an ethnic or depressed area, this is not fact. There are as many charming old apartment complexes in elegant residential areas, as there are low quality new complexes in depressed areas. However, the older building bears the cross of reduced revenue due to the evolution of rent controls.

As proposed, Bill 51 has not addressed the financial plight of the small landlord on pre-1976 buildings. There can only be three remedies for the problems:

- (1) Attempt to reduce costs further.
- (2) Attempt to increase revenue.
- (3) Accept a lesser return than the presently depressed one.
- (1) Looking at reducing costs, municipal taxes

are the largest single expenditure in most buildings, if you eliminate debt financing. For the complex in question, municipal taxes represent approximately 25 per cent of the total revenue (compared to 18 per cent in 1968). The municipality is reluctant to reduce assessment as they are still using their 1975 rent rolls as a component for valuation for assessment.

If I may stray from the prepared text for a moment, since preparing this brief this Wednesday night the city of Ottawa has announced its intention to proceed with 1980 replacement cost assessment. This is a compromise that should have used 1985 replacement costs of which income is a component. Here is a letter from the assessment region number three which states:

"Final market value estimates are developed using the gross income multiplier approach."

We are immediately five years behind the fact.

(2) The rental legislation is reluctant to recognize reduced profitability as cause for rent increases. Looking at page 31, Section 72, item (i) of your proposed Bill 51 and attempting to rationalize Section 88(1).

(A) What small landlord has the resources to find if his residential complex is 20 per cent below the gross potential rent for comparable residential complexes in terms of numbers and type of rental units in quality and location as

defined by the Act? Or

(B) Rate of return on equity is less than 10 per cent. Ten per cent of what? His 1966 purchase price? 1986 replacement cost? Replacement cost less of cumulated depreciation? Valuation on income approach when income has been depressed by rent controls since 1976, and the landlord has never sought relief by way of rent review? The 1966 purchase price restated in 1986 dollars by way of Consumer Price Index? Is the landlord required to use an independent appraisor at a cost of \$3,000 only to have the province's appraisor try to justify a lower value? What are the parameters? Can any of the present committee members answer these questions? Can anyone answer these questions?

Have the terms of reference been kept vague to placate both landlords and tenants? Using Stats Canada figures the 1968 dollar is now worth .29 cents. Adjusting to 1986 dollars, revenue in my building should be 26 per cent higher than under the present rent controls. Municipal taxes are now 350 per cent higher on this complex in comparison to 1968.

(3) For the long term pre-1976 landlords who have persevered thus far, the answer is not reduced return. Some will give up in frustration and turn their properties over to syndicates for outside management, further diminishing their numbers.

It is notable that 1975 assessments and Bill 51

are incompatable. To resolve this problem, we must quickly resort to 1985 income, for establishing assessment, to afford the small depressed landlord some relief in taxes, or have Bill 51 recognize a ratio of municipal taxes to gross revenue as a procedure for allowing rent increases. Since 1980 replacement cost assessment is now to be used for the city of Ottawa, Bill 51 should provide for the recovery of any portion of increased taxes paid by the small landlord over and above those recovered by the allowable yearly rental increases provided by rent control from 1980 to 1986. In future, if municipal tax increases are beyond the percentage of rent increase allowed by Bill 51, landlords should be able to charge their tenants directly for their proportionate increase in municipal taxes on a yearly basis. This would make municipalities more responsive in regard to mill rate increases.

Another problem the small landlord faces with the proposed Bill 51 is that it is extending the existing pattern which has evolved in rent review cases, and through precedent has created a maze which prolongs rent review decisions far beyond their originally intended duration. The present format is for a landlord to apply for rent increases. The response is usually the formation in his complex of a tenant's association. The small landlord then seeks professional help, knowing the Ottawa Carleton Tenant's Association is headed by a competent full-time employee, Mr. Dan MacIntyre, who has the

knowledge, the legal, and the financial resources to mount a campaign for the purpose of limiting rent increases. A hearing is held where the landlord supports the documentation for his application, and is usually cross-examined by the Tenant's Associations' solicitor, that is, Mr. Dickie who was here earlier in the day, who will normally request further information. The case is deferred awaiting the owner's reply and so on ad infinitum, and possibly ending in an appeal from the landlord or tenant. The present process can take close to a year for a final decision.

Any ultimate increase in rent is effective for tenants whose lease expires after the rent review application has been posted. However, in the meantime, due to sublets, postings, or otherwise tenants who have taken up monthly leases until the rent review decision is handed down are departing. By law they would have been responsible retroactively for any increase in rent allowed. If the decision from the rent review process is delayed for a year, the landlord will never track down the departed tenants to claim the increase for the number of months owing. The delays and procrastination caused by Tenant's Associations is in their best interests, and time limitations must be placed to stop abuse. By law decisions should be rendered within 120 days from application. This would limit the losses to the landlord, the liabilities to the tenant, costs associated

with the application to both parties, and the months of
adversary stances which force both tenant and landlord into
a confrontation instead of a co-operation process.

A solution would be for the province of Ontario
to establish a fund a small landlord's association, as well as
the Tenant's Association in each major municipality. The
Federation of Ottawa Carleton Tenant's Association is now being
funded in part by an operating grant from the municipality of
Ottawa Carleton of approximately \$7,500. The head of the small
landlord's association would keep its members aware of
provincial requirements, such as rent registry and interpret
Bill 51 in simple terms which they can understand. I know of
a small landlord who was surprised to learn that Bill 51
was proposed, and of a Rental Housing Protection Act which was
effective on July 10th of this year. The small landlord's
association head could meet on a regular basis with his
counterpart in the Tenant's Association. It is my belief that
given the opportunity, and a legal mandate to resolve
differences between landlords and tenants, as represented
by their associations, could reduce the number of cases which
must now be heard by a rent review board. They could also
intervene on behalf of tenants and landlords on other issues,
such as tenant benefits and building maintenance standards.
Communication is what is now lacking between landlords and
tenants, and in its wake is a lot of bitterness.

In closing I realize that it is politically expedient to keep rent control legislation in Ontario, but let us make Bill 51 less onerous for the tenant and small landlord alike.

THE CHAIRMAN: Thank you, Mr. Evenchick. Are there any questions from members of the committee?

MISS GIGANTES: I would like to thank you very much for your brief. It has a tone I find very interesting, and especially as someone who lives in Ottawa I was interested to hear your account of the changes in your business over the years. I think your description is probably very accurate from what I know of how Ottawa has developed. Could I ask you about the building which you now own and why it is that you have not sought rent review before now?

MR. EVENCHICK: Small landlords come in a great number of varieties and it is, as stated in my brief, this is supplementary income to me. It is not my business in general. If I had to live off of the income from this building I would have sought rent review much earlier. But it is a very complicated process in which most small landlords are totally unaware of, as far as legality and time constrictions and time constraints, I should say, and problems which they might enter into in trying to supplement their income further by increasing rent by way of rent control.

I would think that I am a purist when it comes

to being a landlord. I am not a purveyor of used buildings as some landlords are today. They will buy a building, keep it for a short number of years and try and turn it over. I have been a small landlord since 1946 and when it gets in your blood it's like your right hand. It is part of you. Being a landlord is part of me.

I did increase the number of units I had. It became very awkward when they got up to 450 and I said enough is enough, I've got to reduce it to a point where I can control it much easier because of the complications of rent control. Without the complication of rent control I think I may have held in much longer on the number of units I held.

MISS GIGANTES: But even with holdings of only 82 units in a reviewable market you did not make application?

MR. EVENCHICK: No, I did not. I opted somehow to cut back on the services, the building was probably over-serviced in the earlier years -- a good example is I had a phone call from my superintendant yesterday stating the automatic garage door was out of order, the serviceman was there, what shall we do? Normally, fifteen years ago, I would have said put in a new motor. Yesterday I said get a quotation and we will probably have it rewired. I have cut back on my expenses as far as I can and still try to maintain a nominal profit in the building for myself.

MISS GIGANTES: It struck me in listening to

you and recollecting some of the emotions that went with the presentations we heard from landlords and developers yesterday, that being a landlord is in some cases very much like being a housewife; one always feels that no matter what one does there is always more to do. The same thing keeps happening over and over again and the dishes are always dirty the next morning.

MR. EVENCHICK: I will not accept that I am in the same category as Mr. Greenberg or these people who I think represent a different group of tenants than I represent, or they are a different type of landlord in fact. They are far removed from the people who they are trying to service.

MISS GIGANTES: The small landlord, do you think, has gone the way of the small family farm?

MR. EVENCHICK: I think that is a very good analogy. We are feeling the pinch and I guess if I was not as stubborn as I am I would not be here today and I would not have my remaining 82 units, I would have sold them out and gone into commercial ventures.

MISS GIGANTES: Do you think that at this stage in history as legislators we should be trying to reconstruct the small family farm?

MR. EVENCHICK: If in fact the small family farm is a large enough portion of our economy that we are dependent upon it as citizens of Canada, we should. If in fact it has outgrown its use I suppose we should let it go by the wayside.

By the same token, if in fact the small landlord has outgrown his use, let the government buy the building from me and do with it what it sees fit.

MISS GIGANTES: Interesting, because that was a proposition put before us by some groups that I was going to mention to you. Mira Shane, who is the president of the Association of Centre Town Tenants, said to us yesterday that being a landlord is not a hobby, it is not an investment, it is a business. I must say that is the first time I sort of thought of it, the whole question of the role of landlords in that way. What she seemed to be implying was that being a landlord is more than owning a building and having it operate, but being in the business of providing a service, much as any service business would be.

MR. EVENCHICK: I would agree with her in that respect. I know I am not giving away any secrets. I am sure there are very many Members of Parliament who are small landlords. It is a widespread phenomena. We are in there. We somehow have been caught into this thing and it does get in your blood. You don't want to give it up voluntarily. Some people are being forced out of the market and they just are throwing it off and saying, okay, I'll go somewhere else.

MISS GIGANTES: But in terms of your economics it is more a hobby?

MR. EVENCHICK: I do not rely on the income of this building to survive. I have another business that keeps

me quite occupied. It keeps me in my clothes and it keeps me in food. I could give up this building without causing myself any grief financially. I am being very honest about that. I suppose I am not the norm when it comes to being a small landlord. There are many who are strapped by extremely large mortgages. I have no mortgage, I made that quite clear from the very beginning.

My complaint is I am not getting a fair return on this building by comparison to investing my money in Treasury Bills or investing my money in certificates. I am getting a heck of a lot more headaches especially since the Tenant's Associations have come in, but I am not getting the return I should have. The answer is, do you sell out at depressed values caused by rent control or do you hang in and hope there will be some change?

I am supportive of Bill 51 on many of the issues and one of the things I find very difficult to accept, while in some ways I believe the rent registry is very important right now and I have always stuck with my legal rents, putting a registry in place now is like closing the barn door after most of the animals escaped. I think we have to go back much further in the actual value of the rent in a building before we establish what the end result should be for that rent.

MISS GIGANTES: We as a party argued for a rent registry back in the first days.

MR. EVENCHICK: Well, it should have been put in

place in 1976. Now I don't -- I see many apartments which are lower quality than mine renting for double the value solely because rent registry was not put in place when it should have been put in place.

MISS GIGANTES: Thank you very much, Mr. Evenchick.

THE CHAIRMAN: Thank you. The committee has been joined by the Hon. Member for Ottawa East and the Minister for Municipal Affairs, the Hon. Grandmaitre. Welcome to the committee.

MR. GRANDMAITRE: Thank you. I do have a very short question.

THE CHAIRMAN: Very good.

MR. GRANDMAITRE: It is about municipal taxes. You have a very interesting comment on page six. I know that the city of Ottawa right now is debating whether we should look at reassessment and under what section of the Assessment Act. I am interested in finding out what kind of pressure you put on council to update the reassessment. I have been trying to pressure council to update the reassessment.

MR. EVENCHICK: If there was a committee formed by the city of Ottawa to discuss the matter of assessment, I would be the first one there to argue its case to be brought to 1985 levels.

MR. GRANDMAITRE: Why don't you take the initiative?

MR. EVENCHICK: But as an individual it is another straw in the pile of straws. I have gone to the city of Ottawa with quite a few issues. I was a heritage advisor to the city of Ottawa for several years and did put some, what I think were relatively good points in place before I retired from that job. I feel that the procedure for assessment should be pressured by the provincial government itself. There should be uniformity in this. I find it totally impossible to accept that Toronto is still using 1965, is it, as a base year?

MR. GRANDMAITRE: 1940.

MR. EVENCHICK: And other cities are using 1975. I think to get the correct perspective on rentals you have to have a common basis for dates of assessment. Five years back, 1980, to me, was not a satisfactory date. The date the city of Ottawa should have picked was 1985, which is current. By going back to 1980 I am losing further in what I would receive by way of taxation relief if in fact it would be brought in place in 1985.

MR. GRANDMAITRE: Right now the mayor of Ottawa is looking for encouragement from you and you should give him a call this afternoon. He needs your support.

MR. EVENCHICK: I am afraid my other business will keep me busy this afternoon. I will call him on Monday morning.

THE CHAIRMAN: Thank you, Mr. Minister. There

are a couple of other people who want to ask questions. I would just urge you to exercise restraint. We must take a break over lunch hour, back at one, and we have to be out of here by five because members have planes to catch and so forth. Mr. South?

MR. SOUTH: Thank you, Mr. Chairman. Mr. Evenchick, your brief is very clear. Your approach is very human and I enjoyed it very much. I like in particular, and I will give my prejudice and bias and where I am coming from because I am a property owner, and I like very much the idea of what you state at the top of page five. If there is to be affordable housing for low-income tenants let the province establish a levy on all apartment dwellers.

I think if they had to carry the can more maybe they would get out of apartments and make more apartments then available for the people who cannot afford, I suppose, to buy property.

MR. EVENCHICK: I think you made my point clearer than I made it myself.

MR. SOUTH: I really appreciate that.

MISS GIGANTES: Did you ever hear of a progressive income tax, Larry?

MR. EVENCHICK: That is another category.

MR. CORDIANO: One very brief comment. Your brief was very clear, to the point, and you obviously took quite a bit of time to think about what you were saying.

MR. EVENCHICK: It came from the heart.

MR. CORDIANO: I just want to comment briefly
 5 on page six with reference to chronically depressed rents. I
 believe the ministry will ensure or make every effort to ensure
 to assist the small landlord seeking relief from chronically
 depressed rents. Some of the questions that you put forward
 10 here I am sure will be able to be answered by the ministry.
 The intention here is for the ministry to be able to assist
 both landlords and tenants with any difficulties they may
 have.

MR. EVENCHICK: Well, in older buildings I fail
 15 to see how you can find a comparison. You are not looking at
 Kellogg's Corn Flakes and seeing like or similar packages that
 do have similar or different prices. Under the terms of Bill
 51 I don't think I could find a comparison, a true comparison
 20 with my building. I feel that we have to be allowed greater
 latitude than is now expressed in Bill 51.

MR. CORDIANO: Well, it is certainly difficult
 to reach the ideal or the perfect solution but I think this is
 25 an attempt to stem that gap.

MR. EVENCHICK: Thank you.

MR. CORDIANO: Thank you.

THE CHAIRMAN: Thank you very much for your
 30 presentation to the committee, Mr. Evenchick.

MR. EVENCHICK: Thank you.

THE CHAIRMAN: The next presentation, and the last one of the morning, is from Mr. Phil Sweetnam who is here and whose brief is being distributed to members of the committee.

Mr. Sweetnam, welcome to the committee. I should say at the outset I love the name of your company, Relocatable Homes Limited.

MR. SWEETNAM: That probably reflects the nature of our early history. I think we deviated a little from that direction these days. Gentlemen, I would just like to assure you that if you are running a bit behind my brief is very short and I am sure you will be able to pick up the time you are short.

I have submitted some nitty-gritties from the Bill that I think deserve your consideration, but if I could just take five minutes for a brief introductory to say something in the way of a philosophy about rent control before getting into those comments.

I am sure as this committee travels throughout the province you are going to hear some representations from tenant's associations, like Mr. MacIntyre's comments yesterday, that anything that is acceptable to landlords must be bad for tenants. I would like to suggest to the committee that any acceptance by the landlords of Bill 51 is one of accepting a political reality as opposed to a raving enthusiasm for the Act. The perspective I would like to come to you with on that is, well, I think the housing stock needs both private and public

capital in order to house Ontarians. Most of us who sit on boards of universities, hospitals or, in my case, a conservation authority, are after you in other hats for money to expand the undertakings of those organizations. As has been graphically illustrated to us in those cases, you are locked into 31 per cent for health care, 25 per cent for education, and so on. You are down to about 10 per cent for social services. Unless you are prepared to look at expanding the total provincial budget, I don't perceive that if you make the legislation proposed more onerous for landlords that you are going to encourage that capital, private capital that you are going to need to provide housing for all income people.

As I say, 52 per cent of the gross provincial product is now government and I think if you expand much beyond that you are going to affect your triple-A credit rating.

MR. GRANDMAITRE: It is affected now.

MR. SWEETNAM: Well, I think it is up and down now. It was triple-A and back down and back now to triple-A. I am not sure of those details but I would just like to use our own township of 13,000 people to sort of illustrate something from my narrow perspective. I do not have the broad perspective you have from travelling all across the province, but we have a real need for rental housing in our township. There are 64 units presently, senior citizens housing, which

is the only significant rental housing in our township. We are pleased that you will offer a \$125,000 subsidy, and our housing need studies indicate we could use more housing. I am simply saying to you that there is a limit to what the province will be able to come up with.

There is some high income type apartments being created. I had proposed to our company an apartment project which is desperately needed. I think there is a waiting list of well over a hundred for that senior citizens project. Since the introduction of Bill 51 or its predecessor, Bill 78, I think it was, I have not been able to be successful at trying to convince my corporate directors in our small company to say, let's go for that additional rental housing. So in your deliberations I am simply saying that I think it is essential, if the province wishes to continue to attract that private capital, that you are going to have to try and delicately balance that need for tenant protection and/or with the need that is out there to attract that private capital into the market.

That is enough about the sort of philosophy that I would like to suggest to your committee. Getting down to the nitty-gritty of the details, some of the things that I perceive and I think you might consider are this. Under the old Residential Tenancies Act in mobile home developments there was an exclusion on a site-by-site basis for whether or not

rental controls apply. In the legislation the way it is currently proposed, even though you might have had one or two units occupied during the kick-in period, in other words during 1975, all of the development would now fall into control because they just, they now define a mobile home park as a residential complex and therefore I think it would be fair to try to take out those lots which were exempt and provide for them the catch-up or the financial calculations that are set out in Section 77, I guess it is. If you had some occupied during 1975, then I think it is Section 88 which seems to be a little more onerous. You have to show that there is 20 per cent depression below market and less than 10 per cent return on equity or something like that. It seems like a more onerous responsibility. I put it to you that I think that should be considered for some change.

The other one is sort of a nitty-gritty thing on notices. Presently, the way we choose to serve a notice is simply to go door to door. It is a little cheaper than Canada Post. We give the notice out and we are permitted to put it in a conspicuous place. That is normally the door. In a mobile home situation it is not like the apartment complexes that I am sure this legislation is written for. We usually have a sort of community mailbox type setup, some of these little green boxes you may see in rural areas. The wording of the legislation talks about how it can be put where mail is

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normally left. This is operated by Canada Post and most people would not have access to that. I am suggesting to you that I think the intent is there that you say other methods directed by the minister and I am suggesting you might consider actually spelling that out in the legislation that perhaps to leave it in a conspicuous place on the doorway. In rural areas we don't have the door to door delivery that I am sure this Bill contemplates and that looks like the direction Canada Post plans to go in the future, more of the community mailbox setup which the landlord will not have access to. I can live with paying Canada Post seventy bucks as opposed to the \$20 it costs me to deliver, but I am suggesting you might consider that in your deliberations.

Regarding Section 55, I notice it is still proposing October 1st, 1986, as the deadline for registration. I don't know whether you have given consideration of that in view of this being partway through September, that that date for registration ought to be amended because there is a fairly serious implication to a landlord who neglects to get it in by October 1st.

I think those are the gist of the comments I would have from my perspective.

THE CHAIRMAN: Thank you, Mr. Sweetnam. Any questions from members of the committee? If not, your comments are very specific and I think quite clear. I appreciate the

way in which you have brought them to the committee, thank you.

Members of the committee, we will come back at one o'clock. Check out time is one o'clock so you might want to either put your luggage at the desk, or bring it into this room. We are adjourned for lunch and we will reconvene at one o'clock.

--- Luncheon Adjournment

--- Upon Resuming:

THE CHAIRMAN: The resource committee will come to order before Mr. Patterson runs away. We do have a pretty tight schedule this afternoon and members have to catch planes later on so we are going to try very hard to stay on schedule because otherwise our ranks will diminish.

The first presentation is from Mr. Nicholas Patterson of the Canadian Development Institute. Mr. Patterson, welcome to the committee.

MR. PATTERSON: Thank you. Can I proceed?

THE CHAIRMAN: Yes.

MR. PATTERSON: Thank you, Mr. Chairman, Mr. Minister, members of the committee.

Before getting into my testimony, may I tell you a bit about the Canadian Development Institute, which I founded in 1983. We want to be a new kind of public policy research organization.



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3 We do research into government and
4 economic issues. But we seek to do it in a popular way,
5 geared to laymen, in language understandable to everyone.
6 We want to make sure our research reaches the general
7 public and that it does not moulder on bookshelves.

8 In this sense we want to be more than
9 just researchers. More important, we want to be
10 communicators, too.

11 We are a small organization, with a
12 three-man board and two more to be announced. The
13 others, besides myself, are Maxwell Henderson, former
14 Auditor General of Canada and Brig. Robert Thériault,
15 former Chief of Canada's military mission, in Washing-
16 ton. My own background spans 25 years in finance,
17 public policy and economic consulting. Latterly, CDI
18 has been my main endeavour.

19 We are funded privately. To date, we
20 have received funding from over two dozen individuals
21 and organizations. We do not receive, nor accept
22 government funding, because much of our activity
23 involves evaluation and criticism of government policy.

24 Although we are small, we have been quite
25 active over the last three years. Among 75 background
papers, speeches and articles, CDI has completed four
major projects: One deals with FIRA; another with
Canada/U.S. economic relations; a third with rent



controls; and the fourth with reforms for Canada's financial system.

CDI is non-partisan - neither on the left nor on the right. Our approach is strictly "issue by issue", dictated exclusively by our research findings.

For example, CDI supported FIRA, because virtually every other industrial country exercises some control over incoming foreign investment - and Canada has more foreign control than any other industrial country. On rent control, we are unequivocally opposed to them, based on the overwhelming weight of research evidence of their massive public cost and grave harmful effects. The point is that our support of FIRA does not put us on the left, nor does our opposition to rent control make CDI a right-wing organization.

Last year we put out a book on rent controls, the most comprehensive in Canada, independent of government. It is called "Rent Control in Ontario - A Public Policy Scandal".

It shows in plain language how they severely damage the rental economy and attack the entire social fabric, by undermining shelter for the poor. Our research has been covered in hundreds of reports in newspapers, radio and TV across Ontario. It has been an important factor in alerting the media and the public



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3 on rent control.

4 Bill 51 - A Radical Tightening of Control

5 Ontario's proposed Bill 51 is, we believe,
6 a disastrous Bill, a radical tightening in rent control
7 and a major step for Ontario, in its destructive
8 advance, along the deadly cycle of long-term rent
9 controls. This deadly cycle is the long-term process
10 that has destroyed large parts of many major cities
11 around the world, including New York, London, Paris,
Hong Kong and Cairo, to name a few.

12 This Bill is remarkable in its extreme
13 provisions and its broad reach. It gives Ontario the
14 toughest controls, among Canada's six remaining rent
15 controlled provinces. Among the several, remaining
16 rent controlled jurisdictions, around the world, this
17 Bill would make Ontario's system one of the most
extreme.

18 It completely removes the modest degree
19 of "passive decontrol", now built into the regime, which
20 has led to decontrol of about 20 per cent of the
21 rental stock, over the last ten years.

22 It adds three, whole new areas of
23 massive, bureaucratic regulation. In turn, these new
24 regulatory areas will broadly expand landlord/tenant
25 strife. Finally, it subjects new rental housing to



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3 controls, as soon as they are built - although this is
4 sugarcoated, to begin with. Applying controls
5 immediately to new rental housing is an unusual
6 feature by international standards.

7 This Bill is out of sync with public
8 opinion, and with the trend toward deregulation in the
9 economy. It also goes against the tide of decontrol of
10 rents, elsewhere in Canada, and abroad. It will ensure
11 the disappearance of Ontario's last remaining private
12 rental construction and it will strongly reinforce the
13 trend toward full socialization of our rental economy.

14 There are some modest positive aspects
15 in this Bill, such as indexation of rents. But they
16 are overwhelmed and lost in the broad sweep of its
17 negative features.

18 The only reason some landlords have
19 supported it, as far as I can determine, is because
20 they were intimidated into doing so by the government's
21 previous proposal - the rapacious Bill 78 which was
22 shelved.

23 Public Opinion Shifting Against Controls

24 Considering that rent controls are such
25 a highly visible failure, it is not surprising that
much of the media has turned against controls and the
public is also moving against them.



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3 The political culture of the mid-1970s,
4 which made control seem necessary and popular, has
5 given way to a new realism in Ontario, about high-minded
6 interventionist programs. Such idealistic schemes are
7 no longer accepted, as received wisdom by voters -
8 instead, they generate vigorous debate.

9 Among such schemes, rent control, as a
10 highly visible failure, is therefore, a special target
11 for popular skepticism. In other words, decontrol is
12 probably a pretty safe political issue in Ontario. This
13 is crucial in assessing the changing politics of rent
14 control.

15 Homeowners are the new dynamic in the
16 politics of rent control. They account for over 60 per
17 cent of voters in Ontario and pay most of the massive
18 public costs of rent control, which total approximately
19 \$1 billion each year. They know that tenants' tax
20 increases are offset by their saving in rent and that
21 well-off tenants are the main beneficiaries of rent
22 controls.

23 This political movement against controls
24 is already showing up in the Conservative Party; among
25 among municipal councils; and even in the tenant
movement, itself.

These evolving political currents will



likely lead to decontrol, which is the only solution to Ontario's crippled rental economy. The recent political experience with decontrol, in other parts of Canada and elsewhere, show that decontrol is fast becoming a safe political issue. The actual process of decontrol, in Alberta and New Brunswick for example, shows that rapid decontrol can be a painless process and of great, immediate benefit to tenants.

The Concept of the Deadly Circle of Rent Control

In our book "Rent Control in Ontario - A Public Policy Scandal", we identified what we called the "Deadly Cycle of Rent Control". Controls are well documented in the international literature, because they have been tried in so many countries, around the world, over 75 years. And their harmful results are so startling and graphic, they have attracted wide interest from economists and other students. We looked at these rent control regimes around the world - and we catalogued their common features. Then, we reconstructed from this the classic pattern of what we call the "Deadly Cycle of Rent Control".

This analytical technique shows the typical pattern of their unfolding harmful effects and the inherent logic behind the cycle of deterioration, as the housing economy evolves through its various



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3 stages of degeneration.

4 The economic cycle of rent control is
5 one of disinvestment, scarcity and dilapidation. Soon
6 after controls are instituted, rents lag costs and fresh
7 investment in new rental housing collapses, creating a
8 chronic housing shortage. As the income squeeze goes
9 onward, landlords start cutting back on maintenance
10 and the process of dilapidation commences. As declining
11 rental incomes and dilapidation continue, apartment
12 values decline, accompanied by large sales at reduced
13 prices. The rental economy finally becomes an orphan,
14 a playground for speculators, as conventional investors
15 flee the market. That's the long-term cycle.

16 The socio-political cycle of rent
17 control is one of class strife. A corrosive and
18 adversarial atmosphere overtakes landlord/tenant
19 relations, previously moderated by mutual respect and
20 need. With the massive apartment sales comes a new
21 and tougher breed of landlord - reinforcing the
22 breakdown of landlord/tenant relations.

23 This becomes a field day for some of
24 the ideological advocates of the class struggle. The
25 process is advanced by a new style of politician, who
feeds on class warfare, aided by the growth of a tenant
movement, sometimes captured by a small minority of



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3 radical ideologues. Generally the tenant movement is
4 a creation of rent control itself and cannot survive
5 without them. Prior to controls, they are seldom active
6 apparently unneeded in a competitive rental economy.
7 Under controls, the tenant movement blossoms, as the
8 rental economy withers - and it emerges as a new
9 political constituency, often richly funded from the
10 public purse.

11 The financial cycle of controls is one
12 of massive public costs. These start mounting, as the
13 collapse of new construction shifts the municipal tax
14 base to homeowners. Then, public costs dramatically
15 leap upwards, as governments attempt to meet the grave
16 housing shortage, through costsly subsidized schemes.

17 These schemes soon become a massive
18 boondoggle, as huge subsidies produce only a modest and
19 diminishing volume of housing, mainly for well-off
20 tenants. But even massive grants can no longer lure
21 rental investors.

22 When these escalating subsidies link into
23 a cycle of government deficits, they are often cut back.
24 Then the housing shortage escalates to chronic crisis
25 proportions.

In the final descent of the long-term
cycle of rent controls, municipal tax arrears escalate
on unprofitable rental properties and abandonments



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3 multiply. This is New York City. Or else, there is a
4 full government takeover of the rental economy, badly
5 managed, at enormous public cost, with dilapidation
6 a growing feature. That is the United Kingdom. Which-
7 ever the case, the result is the same, in the long-term
8 cycle of rent control. Entire neighbourhoods are
9 ravaged and much of the rental stock degenerates into
10 slums, starting in the low income areas. Starved of
11 taxes, public services are cut back - and violence,
12 vandalism and arson become rampant, in these poorer
13 areas. For this reason, the poor are the worst victims
of rent controls.

14 The dynamics of decay in the long-term
15 cycle of rent control is a complex process, seldom
16 fully understood, because it is gradual, often highly
17 politicized and often obscured by other social currents
and economic trends.

18 The main feature of the dynamics of
19 decay in the long-term cycle of rent controls is that
20 rent controls interrupt the dynamic redevelopment
21 phase, in the normal long-term cycle of decline and
22 rebirth of older neighbourhoods. Controls give the
23 declining phase a headlong and relentless character,
24 by removing redevelopment capital. This unrelenting
25 character of the movement, decline without remission,
is unnatural.



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3 But it is seldom understood that rent
4 control is the pervasive feature of this abnormal
5 process. Rather, it is usually attributed to high
6 interest rates, demographics, changing accommodation
7 life styles, or shifting populations, moving to the
8 suburbs, etc.

9 By breaking the cycle of renewal and
10 holding back redevelopment capital, long-term controls
11 finally create a new and devastating equilibrium: A
12 new balance, where the quality of accommodation
13 provided, declines to meet the value of rents being
14 paid by tenants - and the gap is finally bridged,
15 between market rents and rent controls. The measure of
16 this devastating balance is the fact, that in many
17 cities under long-term rent control, rents on newly
18 decontrolled units often remain unchanged from previously
19 controlled ones.

20 Where is Ontario in the Deadly Cycle of Control?

21 Where is Ontario in the deadly cycle of
22 rent controls? Obviously, we have not yet succumbed
23 to the final devastation of New York and so many other
24 cities, ruined by rent control. We have only had them
25 for ten years and it takes perhaps 30 years for the
full cycle to complete itself.

But there is no doubt that all the pieces



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3 are firmly in place and it is now mainly just a matter
4 of time - unless controls are reversed. One need only
5 briefly analyse Ontario's rental economy, piece by
6 piece, to verify this - to see how far along we are in
7 Ontario, in the deadly cycle of rent control.

8 We have already had the collapse of
9 construction; the chronic housing shortage; the massive
10 public costs; falling rental incomes; declining
11 apartment values and the huge apartment sales; along
12 with declining upkeep, with the beginnings of
dilapidation.

13 The regime of rent control rules has
14 also gone through the usual cycle, too: First it was
15 temporary, then extended indefinitely; and subsequently
16 expanded in its reach; and the rules have been
17 progressively tightened. This Bill represents a major
step along this road.

18 We have also seen the usual breakdown in
19 landlord/tenant relations; the politicization of rents;
20 and the emergence of class conflict, stoked-up by
21 radical ideologues on the fringes of politics and in
22 the leadership of the tenant movement.

23 The passage of time is the only missing
24 ingredient, required to complete the devastating cycle
25 of rent control for Ontario. A close look proves that



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3 all the other ingredients are firmly in place.

4 Public Costs for Ontario - About \$1 Billion Yearly

5 Let me discuss just one or two of these
6 items briefly, starting with the public costs. There
7 are four main items in this: Lost taxes, public costs
8 of lost jobs, wasteful public housing, and the direct
9 cost of the control regime itself.

10 The total comes to something in the
11 order of \$1 billion each year. This is borne mainly
12 by homeowners. This is because homeowners account for
13 the great bulk of taxpayers and the fact the impact of
14 tenant's tax increases is offset by their savings in
15 rent.

16 There is incredible waste in these
17 expenditures, too. An example of this is set out in
18 CMHC's own report, on its own program, published in
19 November, 1983. This report is entitled "Section 56.1
20 Non-profit and Co-operative Housing Program Evaluation".
21 It shows how CMHC's current leading program has become
22 an unbelievable boondoggle. For example, the report
23 says CMHC pays out a subsidy of about \$47,000 for each
24 and every housing unit built under this program - about
25 20,000 units nationally each year. That is on page 306.
Furthermore, believe it or not, almost 80 per cent of
this housing has gone to a lucky few middle-income
earners, rather than the poor, who suffer most from



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3 the rent control housing shortage. This is on page
4 eight of the Executive Summary. It also says this
5 housing costs 60 per cent more per foot to build, than
6 comparable private developer housing. This is on page
7 125.

8 Social Costs in Misery: Unemployment/Discrimination

9 But worse than the financial expenses,
10 are the social costs of rent controls, in the misery
11 of unemployment, and in discrimination against the poor.

12 Roughly 10 per cent of Ontario unemploy-
13 ment is the result of collapsed rental construction -
14 surely one of the great injustices of rent controls.
15 It comes to about 40,000 jobs each year.

16 This is a reasonably conservative figure,
17 because it excludes the job loss in maintenance and
18 upkeep, which are difficult to measure, but probably
19 very large indeed. It is remarkable that the
20 construction unions are not fighting controls, as the
21 unions often do in the U.S., when various municipalities
22 try rent controls, from time to time. It seems that in
23 Canada, some union leaders put politics above the
24 interests of their workers.

25 But the saddest social cost of rent
control is how this well-intentioned scheme, to help
the poor brings them hardship instead. Instead, it has



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3 become a tool of their oppression. This is because in
4 an uncompetitive rental economy, with negligible
5 vacancies, landlords can now discriminate against the
6 poor, single parents and racial minorities. Even the
7 worst gougers couldn't do this freely, without fear of
8 vacancies, in the years before the rent control
9 shortage. But today, landlords are pressed for cash
10 and they naturally prefer the financial security of
11 renting to well-off tenants, than to poor ones - and
12 the shortage ensures they are able to do so.

13 But this discrimination against the poor
14 will seem like a minor inconvenience, compared to their
15 future suffering, as dilapidation advances and slums
16 overtake much of Ontario's rental housing.

17 Controls as a Middle Class Benefit

18 It is well understood, of course, that
19 controls are a boon to the middle-income tenants and
20 the Yuppies. First, rent control is a "universal" type
21 program - for rich and poor alike - and middle-income
22 earners constitute the large majority of tenants.
23 Furthermore, when neighbourhoods decline, and rental
24 conditions become intolerable, the well-off can move to
25 better neighbourhoods, and to homeownership. Not so for
the poor. They, above all, depend upon a healthy,
functioning rental economy, and rent controls have



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3 destroyed this in Ontario.

4 Professor Larry Smith, a leading house
5 economist, has documented the fact that, in Ontario,
6 two-thirds of the beneficiaries, and three-quarters of
7 the rental savings, go to upper and middle-income
8 households. It is surely a scandal, that only a quarter
9 of the financial benefits, go to the poor, and that the
10 massive costs of rental control are mainly for benefit
11 of the well-off. This contradicts completely any
12 government pretensions that controls are designed to
13 help the poor.

14 The 'International Experience

15 Perhaps I might touch briefly on the rent
16 control experience elsewhere. The international
17 experience of rent control, is well documented in the
18 U.S., Europe and elsewhere, and it has many lessons for
19 us, in Ontario.

20 The U.S. experience of several cities,
21 which retained rent controls in the mid-seventies,
22 following the Nixon wage and price controls, illustrates
23 the rapid degeneration, which controls can bring - even
24 in just a few short years. The ultimate horror of the
25 long-term rent control cycle is illustrated by the
devastating experience of New York City, after 40 years
of crippling rent controls. They were the principal
cause of its bankruptcy, according to the Rohatyn



Commission.

The U.K. experience shows how their harmful effects still persist, even when supplemented by huge public subsidies, or by a full public takeover of the rental economy.

Some European countries illustrate the inherent contradictions of rent controls, regardless of how well designed the scheme may be, or how much public money is poured in, to try to make it work. Most European countries have recoiled from the expense, finally seeking to withdraw from controls. But it is often at a heavy price - a hangover of enormous, growing rental subsidies paid to tenants.

The Swedish experience is interesting, because it shows that even the highly competent Swedish socialists couldn't make controls work and they finally tried to phase them out.

"Market Failure"/Strategy for Government Takeover

There is another dimension to rent control, which can be viewed perhaps, as a hidden agenda item. It is little understood - certainly not a conscious thing - except perhaps by serious students of Marxism and the cadres of the radical left.

This hidden agenda of rent control is the full socialization of Ontario's rental economy. That



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3 is to say, the virtual elimination of private rental
4 housing and its replacement by public ownership. The
5 U.K. is an example of how this works. Only for few
6 diehards radicals is this a conscious plan or program.
7 Mainly it is the relentless, inherent logic of the cycle
8 of rent control, which produces socialization, as an
9 unintended side effect of controls.

10 Is it true that controls will lead to
11 socialization in Ontario and if so, does it matter?

12 It is important, because if the government
13 takes over our rental economy, they will do a lousy job,
14 producing a poor product, at enormous cost to taxpayers
15 - the same pattern already well established in current
16 government housing activities, and also reflected in the
17 wide range of other government enterprises, starting
18 with the post office.

19 How does this takeover come about? Very
20 simply. The private rental economy, crippled by rent
21 controls, ceases to function and the government moves
22 in, to take its place. This is a tried and true
23 formula for government takeovers, around the world.
24 First you cripple the market economy, then you say the
25 market economy doesn't work - and then government must
therefore take it over. In Marxist parlance, this is
known as "market failure strategy".



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3 It is a simple fact today, that unsub-
4 subsidized rental construction has already disappeared.
5 The process is already happening.

6 It is important for taxpayers, the vast
7 majority of whom are not socialists, to understand this
8 aspect. They must be made aware that a public housing
9 economy is a clear, and necessary consequence of rent
10 controls. Just as surely, as private capital flees the
11 rent controlled economy, so must public finance take
12 its place.

12 Decontrol Alternative

13 But, what is the answer? Clearly we have
14 got to get out of rent controls. But how?

15 The only type of decontrol which works,
16 without adding other major costs, is the blanket
17 lifting method. That is the removal of all controls,
18 all at once, as of a certain, future date. Radical as
19 this sounds, it is relatively painless for tenants.
20 The reason is that blanket lifting - in contrast to
21 gradual schemes - quickly draws investors back into
22 rental housing on a large scale. This is the crucial
23 key to decontrol - a rapid over-supply of new housing.
24 By quickly drawing in large slug of new investors, the
25 ability of existing landlords to increase rents is
stanchued.



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4 New Brunswick is a good example of how
5 blanket decontrol works. Controls were removed all at
6 once, on September 1, 1985. There was a severe housing
7 shortage in much of the province before decontrol. In
8 Fredericton, for example, vacancies stood at 0.8 per
9 cent in April, five months before decontrol. By next
10 April, after eight months of decontrol, the vacancy
11 rate had zoomed up to 6.2 per cent. Because of this
12 large over-supply, competition is so fierce, that rents
13 have hardly risen at all. And tenants have a field day,
14 picking and choosing, where they want to live.

15 Clearly decontrol can be accomplished with
16 little increase in rents, with great and immediate
17 benefit to tenants.

18 But politics are a different matter -
19 especially if the politics of cynicism are given free
20 rein. The government seems bent on embedding controls
21 even more deeply in our crippled rental economy - even
22 when they know well, the overwhelming evidence of their
23 harmful effects. But I believe there will be a price
24 for cynicism, because public opinion is shifting fast.

25 We must get out of rent controls in
Ontario - because the poor can no longer bear the
injustice of them; homeowners can no longer afford
their astronomic public cost; and because our rental
housing stock will continue to degenerate - ultimately



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3 into slums - if we don't get rid of them.

4 There is no excuse for rent controls, in
5 a society as rich, and free, and successful, as
6 Ontario - Tanzania maybe - but not Ontario. I'm sure
7 we are smart enough to get rid of them.

8 Thank you very much for giving me your
9 time.

10 THE CHAIRMAN: Thank you, Mr. Patterson.
11 I do not know about other members of the committee but
12 I found it helpful that you pointed out in the very
13 beginning of your brief that you came at the problem
14 neither from the left or the right, otherwise I might
15 have been confused. Any questions from members of the
16 committee?

17 MISS GIGANTES: I would like to follow
18 up on one point if I could, Mr. Patterson. You
19 suggested that homeowners were bearing the cost of
20 subsidies implemented through rent control. Could you
21 explain more about that?

22 MR. PATTERSON: There is a whole section
23 here in this material and I could -- let me just refer
24 to it. You mean why it's homeowners?

25 MISS GIGANTES: Yes.

MR. PATTERSON: The reason why it is
mainly homeowners is, first of all, they are the



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3 majority of the population. In other words, of house-
4 holds. They account for something over 60 per cent,
5 approximately 62 per cent as far as I recall.

6 The second point is that the costs of
7 these controls -- these costs, of course, are mainly
8 manifested through their taxes.

9 MISS GIGANTES: Which taxes?

10 MR. PATTERSON: Their income taxes, their
11 municipal taxes.

12 MISS GIGANTES: How do they relate to
13 income taxes?

14 MR. PATTERSON: Well, when CMHC blows
15 1.7 billion last year on public housing, most of it
16 a waste, that comes from general revenues of the
17 country. Ontario has its own housing expenditure
18 program and that is financed by general tax revenue
19 which homeowners pay most of.

20 MISS GIGANTES: Well, CMHC was in
21 existence long before rent controls. I wonder if you
22 could just relate rent controls to what you have to say
23 about the burden of taxes on homeowners.

24 MR. PATTERSON: Well, prior to rent
25 controls CMHC was a modest operation, particularly
with respect to its subsidies. It was a commercially
self-financing operation, largely. Since controls came



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3 on CMHC subsidies have increased in ten years by 15 fold
4 which is an enormous compound rate of increase. I mean,
5 five times what inflation is.

6 The bulk of the trend -- CMHC has been
7 transformed by rent controls from a mainly self-funding
8 organization to an enormous subsidy operation. The
9 subsidies are necessitated -- public housing expendi-
10 tures -- by controls.

11 MISS GIGANTES: We might well have seen
12 the same developments which you describe, however
13 accurately or inaccurately, at CMHC without rent
14 controls.

15 MR. PATTERSON: I have documented
16 everything I have said in here. I couldn't document it
17 here because I only had a half ---

18 MISS GIGANTES: I won't get into a fight
19 with you about the history of CMHC expenditures.

20 MR. PATTERSON: I am quite prepared to
21 debate that because it is fundamental to my thesis that
22 CMHC has become a massive boondoggle of huge expendi-
23 tures which can be directly attributed to rent control
24 housing shortage. That is fundamental to what I am
25 saying.

MISS GIGANTES: Well, in our income tax
system, we pay income taxes, aside from local taxes,



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3 most of them are not directed from one taxpayer or one
4 portion of one taxpayer's tax bill into a particular
5 envelope. That is a governmental decision.

6 MR. PATTERSON: Yes.

7 MISS GIGANTES: And whatever the govern-
8 mental decisions have been around the development of
9 programs at CMHC, I fail to understand the link between
10 a burden of taxes on homeowners except as they represent
11 people with relatively more income than tenants in this
12 province. With that I do not think you will find much
13 disagreement. Of course they pay more taxes than
14 tenants on the whole, first because they are more
15 numerous and second because they are richer. And if
16 our progressive income tax system works at all, of
17 course they should be paying more taxes. But to say
18 that that is related to rent review in Ontario seems
19 to me to be stretching things a lot.

20 MR. PATTERSON: All I am saying is that
21 the cost of rent controls, as an enormous waste of
22 government money, is manifest in the expenditures on
23 public housing and on a great variety of other things,
24 UIC and welfare, which costs Ontario homeowners and
25 taxpayers immense sums from the unemployment created.

MISS GIGANTES: Mr. Patterson, we did
not build any public housing in Ontario from 1978 until



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3 today. We have not built any.

4 MR. PATTERSON: Well, the subsidies
5 which were provided to builders, first they tried --
6 when the housing shortage became so critical, first
7 they tried to get the private developers to build the
8 housing with enormous subsidies.

9 MISS GIGANTES: That is true.

10 MR. PATTERSON: Then the private
11 developers could no longer be lured into, by any kind
12 of subsidy, into building commercial housing. So that
13 is the market failure argument I am talking about.

14 Then the government took over and from
15 being a fairly serious waste of money it became a massive
16 waste of money.

17 MISS GIGANTES: Well, I just fail to
18 see -- I wondered whether your reference to the portion
19 of what you see as the enormous public cost of rent
20 controls was related somehow to the property tax base.

21 MR. PATTERSON: Oh, that is a small part
22 of it. That's only a hundredth -- of the billion
23 dollars annual cost of rent controls, the loss of
24 municipal tax base is only a hundred million. So it is
25 a mere 10 per cent of the cost of rent controls. The
other 90 per cent is all manifest in -- I am trying to
find the page here if you would like to refer to it.



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3 It's on page fifteen in this thing here. It's called
4 "Public Costs for Ontario, About 100 Billion Dollars
5 Annually". It talks about first the municipal tax
6 cost, a hundred million dollars, and second is the
7 mind-boggling cost of federal efforts to replace some
8 of the collapsed private rental construction. Third is
9 the cost to Ontario taxpayers of direct provincial
10 spending by the government of Ontario. That comes to
11 about \$200 million. Finally, I think the biggest item
12 is the Ontario share of UIC and welfare from the lost
13 jobs created by rent control which come to about 40,000
14 jobs, which is a conservative figure as it only counts
15 the cost of the lost new construction and does not
16 attempt to put a figure on the loss of maintenance and
upkeep jobs.

17 MISS GIGANTES: If I understand you
18 correctly, what you seem to suggest to us is that in
19 an efficient and in some ways even a just housing
market the government would play no role?

20 MR. PATTERSON: Well, I am not suggesting
21 that as a theoretical proposition. What I demonstrate
22 in the brief here ---

23 MISS GIGANTES: Any time the government
24 does play a role you put a cost on it and associate that
25 with rent review?



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3 MR. PATTERSON: Well, maybe I could just
4 comment on that. What I establish in this brief here
5 and in my book is that before rent controls the rental
6 housing economy cost the taxpayer hardly a nickel. Very,
7 very little. Since rent controls came on the public
8 cost of the housing economy for taxpayers has escalated
9 into a mind-boggling figure. That is a matter of fact.

10 MISS GIGANTES: Mr. Patterson, let me
11 say to you that I would very much doubt the clarity of
12 that statement because, though you dismiss all kinds of
13 other effects on the housing market, I point out to you
14 that here in the city of Ottawa the population has
15 remained steady for long periods of time. We have had
16 roughly 300,000 citizens resident in the city of Ottawa.
17 That was true in 1971, it was true in 1981, it is
18 probably not much different in the 1985 census.

19 MR. PATTERSON: I have always used the
20 region as the measure of the whole area.

21 MISS GIGANTES: But the number of house-
22 holds has gone up probably 30 per cent since 1971 in the
23 city of Ottawa. Now, that kind of pressure on the
24 housing market and the income levels and the fact that
25 the minimum wage has not kept level with inflation
over that period, nor have social assistance payments,
has meant that for a very large portion of that same



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3 population, which now has to look for housing in a
4 situation where we need 30 per cent more household
5 space, is going to create many of the effects you have
6 attributed to rent review and it has happened very much
7 over the same period as rent review. I think it is
8 most cavalier to dismiss that kind of thing.

9 MR. PATTERSON: I guess I don't under-
10 stand quite exactly what you are saying.

11 MISS GIGANTES: Well, if we have 300,000
12 people in the city of Ottawa since 1971, but we have a
13 need for 30 per cent more households because there are
14 a lot more single people, a lot more divided households
15 and so on, then we are going to have a pressure on the
16 housing market which will create many of the tenancies,
17 accompanied by the fact we have had high levels of
18 unemployment, high interest rate levels, the fact that
19 social assistance payments have been -- have not kept
20 up with the level of inflation, all those things
21 contribute to an enormous pressure on the housing
22 market. It creates a larger portion of the population
23 which needs assisted housing. It creates very much
24 the situation that you described without rent review at
25 all. Without rent review you would have seen all the
terrible things you have seen and more, in my opinion.

MR. PATTERSON: Well, so you say. We



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3 don't agree at all. That is based on extensive
4 research that I have endeavoured to do. I may have made
5 a mistake but certainly I looked at it very closely.

6 MR. GORDON: Sir, I would like to ask
7 you to comment. I notice you made the statement that
8 no one really wants to build anymore, the developers
9 have pretty well moved out of building except for the
10 very high end, luxury rental unit. You have probably
11 seen the newspaper reports about the submissions made
12 by Trevor Eyton and others to buy out the Cadillac
13 Fairview, 11,000 units, and the promises that for
14 every one they turn into a condominium, one and a half
15 units would be built nearby. Now, where they are going
16 to get the land, I do not know. Maybe in Barrie. That
17 might be considered nearby.

18 The thing is, why would they want to do
19 that? If the developers are out of building new
20 apartment units, why would they be willing to build new
21 apartment buildings under those conditions?

22 MR. PATTERSON: Beats me.

23 MR. GORDON: Have you read about it?

24 MR. PATTERSON: I sure wouldn't.

25 MR. GORDON: Did you read about it?

MR. PATTERSON: I think they're crazy.

MR. GORDON: Did you read about it?



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3 MR. PATTERSON: Oh, yes. Why anyone
4 would build any rental housing today is a mystery to
5 me. I just can't figure it out. I guess most deve-
6 lopers agree and that is why we have a virtual total
7 disappearance today -- as I understand it, there is
8 virtually no unsubsidized housing being built. Why
9 they would want to do it -- maybe they believe that
10 rent control will be abolished.

11 That is something that I believe in my
12 heart will happen. I have discussed quite extensively,
13 I have endeavoured to deal with what I call the
14 changing politics of rent control in here. I think
15 rent controls will be abolished. But whether I would
16 bet a nickel on it, like Mr. Eyton is proposing to do,
17 is quite another matter.

18 MR. GORDON: Thank you.

19 MR. SOUTH: Mr. Chairman. I am very
20 intrigued by your statements on page seventeen in
21 regard to New Brunswick. This is a fact which seems
22 to say it all.

23 MR. PATTERSON: It certainly does.
24 Alberta says it, too. There are many other -- I
25 haven't had time to do the kind of comprehensive
research, really combing the whole world economy to
measure the effects of blanket decontrol, but Alberta,



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3 you know, they decontrolled in a seige of inflation.
4 I mean, in the worst possible economy for decontrol.
5 They did.

6 Market rents had been reached in Alberta
7 before the bubble burst out there. In other words, a
8 lot of people look at the Alberta case, which is a little
9 better known and older than the New Brunswick case,
10 and they said, oh, well, that was because the economy
11 fell apart, you had deflation and people moved out and
12 so on. So a case can be made.

13 My analysis is different, as I make in
14 my book and also in this material here, my conclusion
15 is different. But certainly in the case of Fredericton,
16 which was a very stable economy and a big enough city
17 so that it can be measured reliably, in the case of
18 Fredericton, blanket decontrol and its effect within
19 eight months is astounding to many people but I don't
20 think it is astounding to anyone who looks at it from
21 an economic standpoint or businessman's standpoint. I
22 certainly agree with you, it does say it all.

23 MR. SOUTH: The proof of the pudding is
24 in the eating and I would agree that unless the propo-
25 nents of control can come up with a very valid reason
to shoot down that, then, as I say, it's better than,
you know, we do polls of 1,200 people in a country
called Canada and use it for predicting what people



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3 are going to do or think about, and I think that is a
4 very good pilot study.

5 MR. PATTERSON: I am just disappointed
6 that the minister isn't here because I would like to
7 strongly urge the minister to get his staff to do a
8 study of this. I'd like the minister to look at decon-
9 trol experience elsewhere, to do some really adult
10 research in that department, that stands up to the
11 light of day. I mean, the only kind of research that
12 I have seen out of the ministry is a long piece where
13 they tried to claim that rent control had no effect on
14 maintenance. The international experience defies that
15 entirely. Now, why the hell they would waste the money
16 to get a bunch of money ---

16 MR. REVILLE: There is some very adult
17 research that came out of the ministry yesterday and
18 you should look at it.

18 MR. PATTERSON: I haven't seen it,
19 what's it say?

20 MR. REVILLE: I don't know what it's
21 about, but it's ---

22 MR. PATTERSON: How do you know it is
23 adult?

24 MR. REVILLE: Well, you can tell right
25 off the bat, it sort of has a little sticker on it



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saying "Adults Only".

MR. PATTERSON: Adults only!

MR. REVILLE: I invite you to look at that.

MR. GORDON: It came in a plain brown envelope.

MR. REVILLE: It is a new game. There used to be a game called three card Monte; this is called three card Alvin.

MR. PATTERSON: I wish they would look at the decontrol experience elsewhere. As far as I know, I have never seen anything out of the ministry which discussed the cost of decontrol in a proper, global framework. I think the ministry should do a cost benefit analysis of decontrol which, as far as I know, they have never done. I have never seen it. I would like to see their research on the effects of decontrol. Those are areas ---

MR. REVILLE: May I make one point? The ministry has indeed done such research.

MR. PATTERSON: Well, I have not seen it.

MR. REVILLE: No question that it has been done.

MR. PATTERSON: I would be interested to have it cited because I want to read it.



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4 MR. REVILLE: Being one of the people
5 who believes in the market failure strategy, they are
6 not going to show that to me. I would invite you to go
7 back to your work on municipal financing because it is
8 very complicated and very difficult to figure out, but
9 it is a fact that one of the big ticket items for
10 property taxpayers is education. Of the three billion
11 dollars they contribute to education off the property
12 tax annually in this province, by far tenants pay a
13 higher proportion.

14 MR. PATTERSON: Yes, they do.

15 MR. REVILLE: That is one of the
16 peculiarities of the assessment system.

17 MR. PATTERSON: It certainly is, and
18 tenants are getting a raw deal in Ontario out of the
19 tax system.

20 MR. REVILLE: You may want to make your
21 presentation just a touch more balanced to take account
22 of that strange phenomenon in the municipal finance
23 system. We have been trying to get the Minister of
24 Revenue to do that but he will not.

25 MR. PATTERSON: Well, I agree with you
that tenants, the Ontario experience is in contrast to
much of the international experience of rent controls
where normally the municipal tax burden shifts to home-



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3 owners. In Ontario it's done the very opposite as far
4 as I can determine.

5 MR. REVILLE: That is not what your book
6 says.

7 MR. PATTERSON: What does the book say?

8 MR. REVILLE: The book says it has
9 shifted to homeowners and the contrary is true. In
10 fact, municipal politicians have had to face up to the
11 astounding realization that building high-rise for
12 assessment base aggrandizement was not always as good
13 a deal as they thought it was going to be. All over
14 the province of Ontario there have been some disappointed
15 local politicians when they discovered that the increase
16 in the assessment base quite often did not match the
17 increases in the expenditure side. Some of the bloom
18 went off the development rose for local politicians
19 over the years. It is an astounding thing the way
20 these markets work; I can never figure it out.

21 THE CHAIRMAN: I hate to bring to an end
22 this delightful ideological debate. I want to tell you,
23 Mr. Patterson, that the committee consists of members
24 of all three political parties but that does not mean
25 you can judge by what they say which political party
they belong to at any given point. This afternoon is
an example of that.



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3 MR. CORDIANO: One brief question, Mr.
4 Chairman. I am interested in your statement, Mr.
5 Patterson, with regard to public opinion shifting and
6 the fact that you claim there is a political movement
7 against controls and that it is showing up in the
8 Cpnervative Party. Do you have any irrefutable
9 evidence to prove that?

10 MR. PATTERSON: Yes.

11 MR. CORDIANO: I would like to find that
12 out.

13 MR. PATTERSON: Well, there are a number
14 of them. Let me just find it. It is on page six of
15 this presentation here. Maybe I will just read it
16 very briefly:

17 "This shift in public opinion is already
18 beginning to show in the political arena.
19 It is no surprise it is showing up first
20 in the Conservative Party and among
21 rural Liberal back-benchers. For
22 example, in the Conservative leadership
23 campaign, Denis Timbrell included decon-
24 trol in his platform -- and came within
25 an ace of winning."

MISS GIGANTES: He recanted on that.

MR. PATTERSON: No.



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MISS GIGANTES: Yes.

MR. REVILLE: He took it back.

MISS GIGANTES: He took it back.

MR. PATTERSON: Well, anyway, the fact
that ---

MISS GIGANTES: He looked at the polls
and took it back.

MR. PATTERSON: Well, in any event, when
I spoke to him, I read to him a statement that I was
intending to make in which he supported decontrol and
he made three speeches that I know of. I just spoke to
his office, by a strange coincidence, today in connec-
tion with this material which he has received. It was
acknowledged again by his aide, a gentleman named Can,
that Mr. Timbrell did run on decontrol.

MR. REVILLE: He is leaving politics
so that does not count.

MR. PATTERSON: I don't want to get into
a debate. I have done a great deal of research on what
his position is and that was the feeling I had. Maybe
he did recant on decontrol. I don't think that is an
absolutely determining factor in this thing.

MISS GIGANTES: He did it because of the
polls.

MR. PATTERSON: Then another thing was



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3 this:

4 "...a straw poll of over 100 delegates
5 attending an Ontario Tory workshop
6 unanimously voted for decontrol of rents."

7 That was quoted in The Globe and Mail of
8 February 15, 1986. It continues:

9 "And Ontario PC leader, Larry Grossman,
10 is now speaking out cautiously..."

11 Are you interested in this or ---

12 MR. REVILLE: Well, we know that.

13 MISS GIGANTES: We know that.

14 MR. REVILLE: He said that to the
15 Mississauga realtors and he won't say it to anyone else.

16 MR. PATTERSON: Well, he said it to me,
17 too. You know, for what that's worth.

18 MR. REVILLE: You haven't moved to
19 Mississauga.

20 MR. PATTERSON: When I see Larry Grossman
21 saying that -- what he said was -- he cited the need
22 for fundamental change rather than just tinkering with
23 controls as proposed in this Bill. I take that at face
24 value. Maybe I am too dumb to understand politicians
25 but when a guy says it in plain English, I take it as
such.

MR. CHAIRMAN: Mr. Patterson, would you
stop teasing the bears. I don't mean the Russian bear



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3 either.

4 Thank you very much for your presen-
5 tation. It has been most interesting.

6 MR. PATTERSON: Thank you.

7 THE CHAIRMAN: The next presentation is
8 from Mr. Godin of the Fair Rental Policy Organization
9 and ---

10 MR. STOICA: There has been a change
11 here. My name is Andrei Stoica and I represent the
12 Ottawa area chapter of Fair Rental Policy Organization.

13 MR. CHAIRMAN: Mr. Stoica, I am sorry
14 that we are running late. It is not your fault, of
15 course.

16 MR. STOICA: You're going to be extremely
17 happy hearing this because I have no formal brief to
18 present. The FRPO makes its presentation in two weeks
19 and a formal brief will be submitted at that time. I
20 would like to make a few comments, however, about the
21 situation in Ottawa, comments which may help put our
22 feelings in perspective.

23 First, we strongly believe in the RRAC
24 process and in Bill 51. We believe Bill 51 may well
25 help restore investor and builder confidence in the
residential rental market.

While there is nothing we would like



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3 better than to tell you today, "Pass Bill 51 and we'll
4 build 5,000 units", that's not what's going to happen.

5 If, however, this committee can come to
6 grips with the major problem Ontario faces -- how to get
7 industry building again -- and if this committee passes
8 Bill 51 to reflect the RRAC agreement, then that will
9 be a strong, clear signal to builders, to investors, to
10 landlords, that Ontario recognizes their important role
11 in building rental accommodation.

12 You may find it somewhat of a contra-
13 diction having me say this in Ottawa. Ottawa has one
14 of the highest vacancy rates in the province. We stand
15 at about 1.8 per cent which is well below the 3 per cent
16 considered healthy, but considerably better than most
17 other cities.

18 Our vacancy rate, which is really only
19 18 units per thousand, is due to three basic factors.
20 There has been a boom in new home sales; there has been
21 a bulge in condominium building -- many of which will
22 be offered as rental units by their owners -- and,
23 equally importantly, we are right across the river from
24 Hull, which has among the highest vacancy rates in
25 Canada.

Hull's high vacancy rates have meant
substantially reduced rents and terrific competition



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3 among landlords in that city. Since many government
4 departments have moved to Hull, many Ottawa residents
5 employed by those departments have moved too. They
6 enjoy the benefits of lower rents and a closer proximity
7 to their jobs.

8 All three of these factors can't be
9 expected to continue. The small building boom that
10 Ottawa has undergone has been mainly in condominiums,
11 held as investments by individuals and rented out.
12 They have been high end accommodation and can't be
13 expected to address the needs of low to lower medium
income earners.

14 Unfortunately, I would not count on
15 these conditions continuing. So, while Ottawa is now
16 enjoying a brief respite, something must be done to
17 ensure that we never face the problems of a Toronto.

18 To do that we must begin now to take
19 steps to deliver the kind of future we want for both
ourselves and our children.

20 I personally believe, as I think the
21 entire industry does, that rent controls are not a
22 long-term solution to any problem, although they can be
23 an effective short-term tool. But, for political
24 reasons, they have been kept in force for more than ten
25 years in Ontario.



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3 The reason this committee is wrestling
4 with Bill 51 now is that Ontario is finally realizing
5 the destructive power of controls. Portugal is
6 abandoning a control program that has seen one building
7 a month collapsing in Lisbon because of lack of maintenance.
8 Paris is abandoning controls because of a
9 desperate need for new units. New York is seriously
10 considering alternatives to rent controls because of
11 the basic unfairness and social damage the system has
12 caused.

13 And yet, it seems that this committee
14 must do what nobody has ever been able to do yet, and
15 that is make controls work. You have our sincere best
16 wishes.

17 The RRAC report recognized many of the
18 problems created by controls in other cities and
19 countries and is trying to counter them with concrete
20 suggestions. Most of these suggestions were reflected
21 in Bill 51 and, I understand, it is the government's
22 intention to further amend the Bill to make sure it
23 fully reflects RRAC.

24 RRAC realized that stringent controls
25 prevent proper maintenance, so to make sure we don't
become like Portugal, it tried to set up maintenance
standards and it provided an incentive in the Ricci



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3 formula for landlords to do minor maintenance without
4 the necessity of full rent review hearings. This seems
5 to us a sound move.

6 Unfortunately the Bill, as written, takes
7 this incentive away if the landlord applies for an
8 increase higher than Ricci for capital repairs. It is
9 unfortunate too, that the current legislation proposes
10 to let municipalities set minimum standards. Letting
11 municipalities set minimum standards will take a sound
12 common sense principal and put it in the hands of
13 people easily swayed by the politics of the moment.

14 Finally the Bill gives tenants a major
15 say in the selection and planning of maintenance and
16 capital expenses.

17 As I said, the philosophy within this
18 section of Bill 51 is sound. We cannot let Ontario
19 cities suffer as New York and Lisbon and Paris have
20 suffered through terrible maintenance. But the
21 procedures suggested by this Bill have taken that common
22 sense philosophy and twisted it into practices which
23 will inhibit maintenance rather than encourage it.

24 What tenants want from their building
25 is generally subjective improvements, things that make
their unit more attractive for the moment. What land-
lords want are objective programs designed to protect



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3 and enhance their investment.

4 Tenants who might willingly pay -- and
5 even demand -- new hallway carpeting, new appliances,
6 faster elevators and improved security, will certainly
7 oppose at rent increases for double-glazed windows or a
8 new heat pump system or million dollar garage repairs.

9 The Bill also recognizes that many
10 landlords -- especially those not earning any return
11 before controls were first imposed in 1975 -- may be
12 trapped with chronically depressed rents and no way to
13 see them lifted to financially sound levels.

14 The hardest thing to explain to the
15 average person is that this system, as designed in
16 1975, was to last only 18 months or so, and did not
17 take into account a landlord's basic need for a return.
18 As a result, this is a straight cost-pass-through
19 system.

20 It's like a standard expense account
21 for any worker. If you pay the money out as part of
22 your job, you get most of it back. You still must have
23 a salary to live, however.

24 Well, many landlords have found them-
25 selves with an expense account -- the pass-through
system -- but no salary because the system makes no
provision for them to earn a rate of return.



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3 As I say, Bill 51 recognizes this
4 problem but then puts arbitrary limits on which
5 buildings qualify as having chronically depressed rents.
6 In other areas, like equal-pay-for-work-of-equal-value
7 legislation, this government and its supporters have
8 said there shall be no inequity between the salaries
9 of men and women doing equal jobs.

10 For landlords, however, the practice is
11 reversed. Only those landlords who are exceptionally
12 suffering can qualify. Members of this committee, a
13 loss is a loss. Amend Bill 51 so the principle can be
14 put into practise.

15 Finally, Bill 51 recognizes that a by-
16 product of controls is always a shortage of supply.
17 There is proof of this. Here in Ottawa we have a 1.8
18 per cent vacancy rate; we need about 3 per cent for a
19 healthy market. In Toronto you have a 0.2 per cent
20 rate, which is shameful. It's a rate usually found
21 only in wartime.

22 So, Bill 51 came up with the Ricci
23 formula, which allows a slim rate of return to those
24 good managers who can employ it wisely. It provides a
25 much better return to those willing to build now.

While the philosophy of providing a rate
of return is again a sound one, this committee runs the



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3 danger of amending it so much as to destroy its intent.

4 It is no secret that within the industry
5 there has been much conflict between the owners of
6 pre-75 buildings and post-76 buildings. The pre-75
7 buildings have been treated in one fashion; buildings
8 built between '76 and this spring have been treated
9 better and those yet to be built will be treated best
10 of all.

11 It's not fair. But after eleven years
12 of controls we didn't expect fairness. The Ricci
13 formula, however, is a definite improvement on an
14 arbitrary 4 per cent. It provides some financial
15 relief and some incentive to maintain and improve
16 buildings.

17 Its main benefit, however, is that it is
18 a clear signal to the industry that government wants
19 the industry to build and that government recognizes
20 industry gets its financing from people whose only
21 concern is rate of return.

22 I fear this point is being lost in the
23 shouting and demonstrations and demands of a very small
24 group of tenants.

25 Your own surveys show that 70 per cent
of tenants in Ontario can afford to pay higher rents.
And, unfortunately, higher rents are the key to creating



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3 more supply.

4 There's no doubt that initially the only
5 supply created will be the more expensive rental units.
6 But, as those units begin to suffer under high vacancy
7 rates, the industry will smarten up and begin to
8 innovate and find ways to serve the next big market --
9 the middle-income tenant.

10 I will point to proof of this happening
11 all around the legislature in Toronto. Only three
12 years ago, Toronto was being filled with condos priced
13 from \$120,000 and up. There was a terrific glut on
14 the market and a massive over-supply.

15 Then a few innovators re-examined their
16 ways of building, their ways of financing, their ways
17 of designing condos. A few began building condos that
18 could be sold for under \$70,000. Now everyone is
19 jumping in. Toronto has a wide range of new projects
20 offering small one-bedroom units for \$70,000 to
21 \$90,000.

22 My best guess is that Bill 51 could be
23 the first step to achieving this phenomenon in the
24 rental industry. Not right away, but in a few years.

25 Of course, all of this rests entirely
on Bill 51 and the actions of this committee. You are
sending signals to developers and lenders and investors.



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3 They will make their decisions based partly on those
4 signals.

5 Thank you for giving me this brief time
6 to give you our views.

7 In summary, there is much of value in
8 Bill 51 and that value can be increased by amending it
9 to accurately reflect the RRAC report. The philosophy
10 and intent is, at least, sound as was the process of
negotiation that led to it.

11 I ask you to consider that tenants must,
12 as a natural course, oppose this Bill. If I were a
13 tenant I most certainly would. An apartment unit only
14 has value to a tenant as long as he occupies it and,
15 as long as he occupies it, he wants the lowest rent he
16 can get.

17 It is difficult for anyone to consider
18 and plan to meet the future, unless he or she is
19 forced to. Tenants are in that position. Why consider
20 the landlord's long-term needs, when you can move
tomorrow, if things get bad.

21 It's like Christmas. Every year it
22 comes at exactly the same time and every year the
23 stores are full of people doing last minute shopping.
24 Tenants, by the nature of their role, are in a similar
25 position and only a major calamity can change their



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3 attitude.

4 Your position, however, is to predict
5 the future and develop plans today to meet tomorrow's
6 needs.

7 Bill 51 is a good first step.

8 Thank you. I would be happy to answer
9 any questions.

10 THE CHAIRMAN: Thank you, Mr. Stoica.
11 Any questions from any members? Miss Gigantes?

12 MISS GIGANTES: Mr. Stoica, if I had the
13 money that I will save for Christmas now I would go out
14 and do my Christmas shopping now, and I think most
15 tenants are that way.

16 MR. STOICA: You would miss some sales,
17 too.

18 MISS GIGANTES: The sales are after
19 Christmas, as you know.

20 Can you tell us a bit about your own
21 involvement in the housing market?

22 MR. STOICA: Yes, I am a property
23 manager. I hold a contract for one of the small
24 landlords in this town. As a matter of fact, I was
25 last night as well to public hearings and I hear my
tenants complaining about many of the maintenance
problems which we really encounter. And I can tell you



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3 without any doubt that, yes, there are some of the
4 problems which they showed you in that building and we
5 are trying to do it. The only misunderstanding they
6 have is that in the order of priorities we would like
7 them to tell us what they want to see first done. Of
8 course, when the cash flow is negative it is very hard
9 to commit yourself to something you cannot pay.

10 MISS GIGANTES: Would this be the Island
11 Park Towers?

12 MR. STOICA: This is in the Glebe, this
13 is the famous Colonel By Towers owned by 119202 Canada
14 Inc. that everybody loved last night, which had a
15 number before being baptized Colonel By Towers, which
16 is the real name of the company.

17 MISS GIGANTES: Thank you very much.

18 THE CHAIRMAN: Thank you for your
19 appearance before the committee. We appreciate it.

20 MR. STOICA: Thank you for the
21 opportunity.

22 THE CHAIRMAN: The next presentation is
23 by Mr. Saikaley.

24 MR. CHARLES SAIKALEY: Thank you.

25 THE CHAIRMAN: Your brief has been
distributed.

MR. SAIKALEY: Mr. Chairman, members of



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3 the committee, my name is Charles Saikaley, I am a
4 lawyer in this city and I represent a number of small
5 landlords who together control approximately 800 units
6 in this city. I would like to start my presentation
7 with a story which may be biblical in its ideology but
8 which is not found in the Bible.

9 In the beginning there was Adam and Eve
10 who begat John, who begat Jonah, et cetera, et cetera.
11 After awhile all these children needed places to live.
12 One of the children, and we will call him Mastercraft,
13 decided to build a building that reached up to the sky.
14 His building was soon filled with all these other
15 children. One of his friends, who we will call Minto,
16 decided this seemed like a good idea and he, too, built
17 a shiny new building. Then soon their cohorts, Assaly,
18 Campeau, et cetera, all followed the lead of their
19 friends. Lo and behold there were not enough tenants
20 to fill these shiny new buildings. The developers
21 started giving away televisions, dishwashers and other
22 appliances, or would offer inducement such as two
23 months rent free if a one or two-year lease was entered
24 into. The developers stopped building and their
25 building eventually became full of tenants enjoying
their free appliances or rent free months as the case
may be. The developers were happy, the tenants were



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3 happy, and even the government was happy as it was
4 reaping many tax dollars from all these buildings. A
5 few years passed and there were now more tenants than
6 available apartments. Vacancy rates fell and rent
7 increased at a healthy pace. The developers started
8 to build more apartment buildings to be sure that one
9 did not gain an advantage over the other.

10 And so all the developers built at the
11 same time. Within two years the giveaway schemes came
12 back, rental increases slowed, and vacancy rates rose.

13 Ladies and gentlemen, this scenario
14 reflects the general industry cycle for the con-
15 struction industry in a natural market. That is,
16 natural, unfettered, non-interventionist. The inverse
17 of that scenario can only contemplate activities in an
18 unnatural market. Rent regulation creates such an
19 unnatural market.

20 It has now been eleven years since rent
21 control legislation became a reality in Ontario. It
22 was introduced in a sea of controversy and the debate
23 between landlords, tenants and the government rages on
24 to this day. The main purpose of any rent control
25 system should be to make available to tenants
affordable housing. The two key words here being
"affordable" and "available". After eleven years it



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3 has been apparent to all that affordability is still a
4 problem vis-à-vis those who need it and availability of
5 rental accommodation has become scarce. Why has this
6 happened? The answer lies in basic economics.

7 The government, through its policies,
8 has interfered with the underlying principles which form
9 the foundation of the democratic free enterprise system,
10 supply and demand. In any free market system the
11 forces of supply and demand will dictate both the price
12 of a service and its availability. The government of
13 Ontario for the past decade has misled and in fact
14 betrayed the landlords of the province and the time has
15 now come not to further entrench rent regulation into
16 our economy but rather to review its history and reverse
17 the process which has so crippled the rental market in
18 Ontario for the past eleven years.

19 From 1967 to 1972 the rate of rent
20 increases slowed and as a result construction of new
21 apartment buildings slowed down. As the lack of con-
22 struction caught up with the forces of demand, vacancy
23 rates decreased and rents increased dramatically. In
24 fact, from 1974 to 1975 the CPI rose 10.8 per cent
25 while rental rates in Toronto in the same period rose
30 per cent. My paper indicates on page two that it
was 3 per cent. That is a typographical error and it



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3 should read 30 per cent.

4 As a result of this average increase,
5 plus isolated and well-publicized examples of rent
6 gouging in Toronto, and unusually low vacancy rates,
7 an otherwise unfounded crisis was perceived in the
8 rental market in Toronto. What so-called government
9 experts failed to take into account is that during the
10 mid-1970s, as a result of both the energy crisis and
11 record inflation rates, all forms of business cycles
12 were blown out of proportion. In other words, the
13 market in Toronto, while perceived to be in a crisis,
14 was just a regular segment of the industry cycle,
15 merely exaggerated due to the external pressure of
16 inflation and other world economic circumstances
17 exerting their effects.

18 You will all remember the abnormal
19 price increases in beef and food as a whole, car prices
20 were increasing dramatically.

21 It was as a result of media attention to
22 the situation in Toronto that pressure was exerted on
23 the existing Conservative Government of William Davis
24 to reverse their stand and, two weeks prior to their
25 election, in September of 1975, where a minority was
returned at that time, and introduce some form of rent
control. In December, 1975, the Ontario Legislature



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3 passed the Residential Premises Rent Review Act which,
4 among other things, limited rent increases on buildings
5 built before 1976 to 8 per cent. This was a temporary
6 measure, they said, to ease what most perceived was a
7 housing crisis in Metropolitan Toronto. It was only
8 supposed to last eighteen months. Therefore we had
9 what we thought was a stop-gap measure, that any
10 landlords, even those fundamentally opposed to the
11 concept of rent control, could not object to lest they
12 be seen as gougers, money-grubbers, et cetera. For the
13 Act itself provided for its own repeal effective
14 August 1, 1977.

15 August, 1977 came by and the amount was
16 reduced to 6 per cent but extended for another two
17 years. In 1979 the government replaced that with the
18 Residential Tenancies Act. The 6 per cent was main-
19 tained but the termination clause was deleted and the
20 legislation was repealable only by introduction of new
21 legislation. We all know of the Greymac and Cadillac
22 Fairview affair in 1982 which resulted in the passing
23 of the Residential Complexes Financing Restraint Act,
24 which also was supposed to be sunset legislation to
25 terminate in one year. It was extended twice and its
life depends on the discussions over Bill 51.

Accordingly the province of Ontario was



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3 faced with a situation where a problem occurs in Toronto
4 with consequences affecting the whole province. Toronto
5 sneezes, Ontario catches the cold. One method in which
6 landlords attempted to make their property investments
7 profitable was through conversion of existing rental
8 dwellings to condominiums, co-ops and the like. This
9 has now been blocked by passing of by-laws in many
10 municipalities restricting the conversion of existing
rental accommodation.

11 In summary, the provincial government at
12 that time, as a result of their flip-flops, reversals
13 and the like, have created such an atmosphere of
14 uncertainty that no interested group today is really
15 aware of what is happening. This problem is further
16 compounded by the introduction of Bill 51 which is why
17 we are convened here today. The purpose of this paper
18 is to support the reversal of rent control legislation
19 to the state it was in prior to 1976. The purpose of
20 this paper will be to show that rent controls were
21 ineffective and in fact very damaging to the housing
22 market and economy as a whole of Ontario. This paper
23 will attempt to show that gradual decontrol of rent
regulation is the best and most viable alternative
available to us.

24 I further submit that Bill 51 can be
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3 used as a springboard to restore landlord confidence.
4 I would submit that this government should look at Bill
5 51, with the proper amendments, as a beginning to the
6 end of rent control, and the beginning of decontrol.

7 The effects of rent control. Number one,
8 I would like to speak about availability. It is well
9 established that in a normal market vacancy rates and
10 rate of rent increases enjoy an inverse relationship.
11 That is, when vacancy rates are high, rents increase at
12 a slow rate. That is shown in Table 1 on page 7A of my
13 paper.

14 As a result of artificially depressed
15 rents, new rental dwelling construction was arrested
16 and as a result a chronic shortage has existed for
17 seven years now. It is interesting to note that the
18 rent increases lagged behind the inflation rate and
19 sometimes the gap was up to 4 per cent since rent
20 controls were imposed.

21 An even more puzzling feature is that
22 the Ontario government at that time anticipated the
23 potential problem of developers not building new
24 dwelling units and therefore exempted post-1976
25 buildings from rent control. Now Bill 51 plans to
remove this exemption which, in my opinion, is the
single largest betrayal of those developers who invested



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3 millions of dollars to construct those buildings in the
4 belief they would not have to contend with rent review
5 legislation. It is this type of reversal, and Bill 51
6 is replete with them, which must not be allowed to be
7 implemented. It can only lead to skepticism, suspicion
8 and hostility between all interested groups. I submit
9 that the exemption of post-1975 buildings, and those
10 apartments renting at greater than \$750 a month, should
11 remain. I fail to see how applying universal rent
12 controls to apartments renting over \$750 a month would
13 solve the problem of affordability or availability.
14 It would manifest itself in the subsidizing of high-
income renters.

15 As to vacancy rates, Tables 2 and 3 in
16 my paper indicate the vacancy rates in metropolitan
17 areas from 1976 to 1985. You will note that Ottawa
18 enjoyed a vacancy rate of 2.2 per cent in 1976, reached
19 a high of 3.5 per cent in 1979-80, to a low of .2 to
20 .3 per cent from 1982 to 1984. The most recent vacancy
21 rate figures I have available indicate a 1.5 per cent
22 vacancy rate in Ottawa in April, 1986. Toronto, on the
23 other hand, has never had a vacancy rate greater than
24 1.2 per cent in the last ten years. It is interesting
25 to observe that Calgary's vacancy rate averaged less
than 1 per cent from 1976 to 1981. In 1982, two years



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3 after controls were fully lifted, the rate averaged
4 between 6 per cent and 12 per cent.

5 It is clear that where rent controls are
6 in place little new construction takes place, causing
7 an artificial restraint on supply and very low vacancy
8 rates result. However, once controls are lifted, as
9 they were in Alberta, vacancy rates spiral upward due
10 to the developers rush to enter the construction market
11 they had previously abandoned.

12 Alberta began decontrol in 1977 and the
13 process was complete by mid-1980. Table 4 shows the
14 average rent of apartment units by bedroom type as of
15 October, 1984. The average rent for a one-bedroom
16 apartment in Calgary and Edmonton averaged between
17 378 and \$381. In Toronto and Ottawa the rents
18 averaged from 387 to \$404, reflecting a 6 per cent gap
19 at the most, and 2 per cent at the least.

20 The average rent for a two-bedroom
21 apartment in Calgary and Edmonton ranged from 450 to
22 485. In Toronto and Ottawa therents ranged from \$470
23 to \$479. Again, a 6 per cent gap was the largest,
24 while in some cases the rent for an Edmonton apartment
25 is 2 per cent greater than that of the Toronto apartment.
That indicates rental accommodation in a free market
may enjoy lower rents than those suppressed by rent



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3 regulation. It is submitted that allowing the forces
4 of the free market to interact would limit the rent
5 increases to what would be in a regular cycle. You
6 will note that the gaps in the average rents are however
7 not reflected in the vacancy rate figures of the cities.
8 Edmonton and Calgary's vacancy rate average 9.5 per
9 cent in 1984, versus less than 1 per cent for Ottawa
and Toronto.

10 As Ontario enjoys a relatively more
11 stable economy and environment, decontrol, it is
12 submitted, would enjoy more success in Ontario than it
13 has in Alberta.

14 The greatest advantage of the blanket
15 lifting approach as utilized in Alberta, as Mr.
16 Patterson discussed and as it is further discussed in
17 both my paper and in his book, is in its impact on
18 rental starts. Table 6 indicates the number of apart-
19 ment starts in Alberta in the post decontrol period.
20 It can be seen that there was a great surge subsequent
21 to the introduction of the program and another surge
22 after the complete lifting in 1980 occurred. The
23 important point is that a full and complete blanket
24 lifting of controls can bring out a substantial volume
25 of new rental units on a fairly rapid basis, which in
turn would curb surging rent increases in the initial



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3 phases of decontrol.

4 Pro-control advocates argue adamantly
5 about the need for rent regulation to control rents.
6 The data presented in this paper, which is a microcosm
7 of the amount of empirical data available to support
8 this position, clearly debunks the myth that rent-
9 controlled apartments enjoy lower rents than those that
10 are not regulated.

11 What about the damaging effects of rent
12 control? The vacancy rate Tables, 2 and 3, indicate
13 that rent control chokes the availability of apartments.
14 But why? Developers do not and sometimes cannot
15 economically build units to compete with those apart-
16 ments which are enjoying artificially depressed rents.
17 Table 7 shows the number of apartment dwelling starts
18 from 1971 to 1985 by province. In the five-year period
19 prior to the introduction of rent controls, apartment
20 dwelling starts averaged over 40,000 units per year in
21 Ontario. In the first five years of rent control
22 apartment dwelling starts dropped to 21,000 per year.
23 At this point in time, that being 1980, it became clear
24 to developers and landlords that the government policies
25 could not be trusted or relied upon and this was
reflected in the apartment starts in the next five years
which dropped to an average of 14,000 a year, a mere



one-third of what it was a decade prior.

The damage does not stop there. The devastating multiplier effect that ravages the economy is overwhelming, the consequences of which are appreciated only by a few. The housing industry of any modern economy is the primer that pumps the whole economy. If new construction is down, the lumber industry in British Columbia is hurt, the steel industry in Hamilton is affected, and cement companies in Quebec feel the crunch. Plumbers, electricians, bricklayers, et cetera, are all out of work or have little work to speak of.

There are those who argue that although apartment construction is down, new housing construction takes up the slack, but this is not the case. As apartment rents stay artificially depressed, those who in the past would have left an apartment to buy a new home will not due to the fact that they are paying such a low rent relative to new rents, et cetera. There is no incentive for them to leave their two-bedroom apartment in downtown Ottawa for \$350 a month and move to the suburbs and carry a \$750 mortgage. Accordingly, the housing industry is very affected by government intervention in the rental market. Table 7 shows the number of starts. I do not want to bore you with any



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3 further figures, but they are there.

4 The scope of this paper is too limited
5 to provide empirical data with respect to the multiplier
6 effect and consequent cost of rent regulation to the
7 rest of the economy. However, it is submitted that the
8 numbers would be overwhelming.

9 There are many other damaging effects
10 of rent control other than lack of availability and
11 the collapse of rental construction which this paper
12 does not propose to deal with. They are better outlined
13 in Nick Patterson's book and in the summaries provided
14 on page 12 of my paper.

15 The community as a whole does not realize
16 the stake it has in rent control or the deregulation
17 thereof. It is viewed by them merely as a conflict
18 between landlord and tenant. All citizens have a
19 crucial stake in the rent control debate. It is a
20 matter of public concern since the effects of the
21 rental market resonate throughout the community. In
22 a free rental market, where prices and costs are set by
23 the forces of competition interacting free from
24 government intervention, landlords walk a thin line.
25 It is these forces that determine the rents, vacancy
rates and level of construction. Under this free
market system there is a strong and crucial inverse



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3 relationship between rent increases and vacancy rates,
4 which in turn affect the level of new construction.
5 Table 8 indicates the weighted average vacancy rate in
6 Ontario was .4 per cent compared with 1.6 per cent in
7 other rent-controlled provinces, and 2.78 per cent in
8 provinces without rent control.

9 New rental housing is not being provided
10 fast enough to solve this problem and will not be
11 provided as long as the developers operate in an aura
12 of uncertainty and mistrust. As a result, it is
13 difficult to escape the conclusion that Ontario's rent
14 review legislation has been a major contributor to the
15 province's rental housing problems. It is accepted by
16 all observers that rent review has held rents on older
17 buildings well below market levels. In summary, the
18 position supported by this paper is that these forces
19 should be allowed to interact without the burden of
20 interference from rent controls. They have been a
21 proven failure across the world, in places such as New
22 York City, Massachusetts, Washington, France, Sweden,
23 et cetera, as further detailed in Nick Patterson's
24 book. The time is now to call for an unequivocal,
25 unqualified no to Bill 51 in its present form, and to
its concept of universality of rent controls, BOCI
formulas, maintenance standards boards, et cetera. It



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3 is time now to call for a loud yes to gradual decontrol.

4 I do not propose to deal with decontrol
5 as it is taken from Mr. Patterson's book for the most
6 part, and detailed in his paper. I would just add a
7 few points.

8 The proponents of Bill 51 say that the
9 new Act will promote the construction of new rental
10 units. It is obvious that the developers will not
11 build because they have reached the point wherein they
12 distrust any government assurances or policies regarding
13 lack of controls or fair rate of return. To solve the
14 problems referred to earlier in this paper the govern-
15 ment must allow rents on all buildings new and old
16 alike to return to fair market levels through the
17 gradual removal of rent controls. When rents are at
18 market levels the supply of rental accommodation equals
19 demand which coexists with a normal vacancy rate. Also,
20 there is no incentive to escape rent controls by
21 changing the use of older stock or allowing it to
22 deteriorate. It is clear that rent increases have not
23 kept pace with inflation since the introduction of rent
24 controls. Over the last twelve years the CPI has
25 risen a 141 per cent, while rent legislation has
allowed for a maximum 98 per cent rise. Many analysts
believe that market equilibrium can be restored by



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3 increases of much less than 20 per cent.

4 Slack, in his paper, states that in 1984
5 decontrol would have led to an increase of only 10 per
6 cent in average rents. While rents on older buildings
7 would increase, the rents on newer ones would decrease
8 or stabilize in order to compete with other units on
9 the market. It is proposed that rents would have to
10 increase at a rate greater than the inflation rate to
11 restore market equilibrium and that this increase
12 should be over three to five years to prevent undue
13 hardship. Accordingly, it is recommended that Bill 51
14 should be amended to reflect the catch-up rent, the
15 rental stock, more particularly a formula such as the
16 inflation rate plus 2 per cent, and the problem with
17 respect to low-income housing which is properly the
18 concern of the government could be resolved by giving
19 low-income earners a housing income supplement.

20 As a result, all Ontarians would share
21 in the following benefits: Improved maintenance of the
22 existing housing stock; reduced pressure for condomin-
23 iumization, luxury renovation and demolition; reduced
24 political resistance to those condominiumization schemes
25 which remain; an increased supply of new rental housing
at prices no higher than now being asked; increased
choice of accommodation because of increased vacancy



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3 rates; more available accommodation for the hard to
4 house, especially low-income families; increased income
5 and property tax collections; eventual elimination of
6 the substantial cost of administering and complying
7 with the rent control program, which was estimated by
8 Slack at more than \$15 million per year; fairer treat-
9 ment of landlords who are presently providing rental
10 subsidies estimated at \$200 million to \$300 million per
11 year to tenants of controlled units.

12 The next few pages of my paper deal with
13 decontrol strategies which are again outlined by Nick
14 Patterson in his book. I do not propose to deal with
15 that again. I would add the following, however. The
16 best method of gradual decontrol must be determined by
17 the government in consultation with all those affected.
18 If developers could be made aware of the time horizon
19 facing them they could plan their new construction
20 accordingly. The great pent-up demand for rental
21 accommodation manifesting itself in extreme low vacancy
22 rates would probably drive rents up much faster than
23 would be fair or acceptable. Tenants must be given the
24 opportunity to adjust to their new circumstances and
25 this implies that rent should be permitted to rise
slowly to its new level. It is proposed that this
period be approximately three years to allow new units



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3 to come onstream and allow tenants to adjust.
4 Professor Mueller proposes in his paper that one way to
5 eliminate rent controls would be to revise the guideline
6 formula, as proposed by Bill 51, to allow real rents
7 to rise to the equilibrium level. The guideline formula
8 proposed in Bill 51, 2 per cent plus two-thirds of the
9 increase in BOCCI, is inadequate for older buildings.
10 If BOCCI rises with the general rate of inflation,
11 currently 4 per cent, the new formula allows a real
12 rent increase of only two-thirds of 1 per cent. At
13 this rate it would take 14 years to restore market
14 equilibrium. Therefore it is proposed that the
15 government consider the elimination of rent controls
16 by revising the guideline formula to allow for an
17 increase of inflation plus a catch-up factor designed
18 to restore market equilibrium in three to five years.
19 The role of the rent review administrator in rent
20 review hearing boards would be limited to ascertaining
21 whether the guideline has been observed or the correct
22 procedures had been followed in notifying tenants of
23 rent increases. Once the rents have reached the far
24 market value and the balance in the market has been
25 restored, the emphasis of any rent review legislation
can be shifted to prevent unconscionable rent increases,
that is rent gouging, which could be incorporated in



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3 the present Landlord and Tenant Act which governs
4 termination notice periods, et cetera.

5 In summary, it is submitted that the
6 province's system of rent regulation is at the very
7 heart of the problems of availability and affordability.
8 This system encourages conversion and destruction of
9 the old rental stock, encourages rollovers and
10 discourages maintenance and new construction. It
11 penalizes landlords, particularly those of old
12 buildings, and low-income tenants who cannot find
13 alternative accommodation. It provides unfair benefits
14 to upper-income tenants who could afford the rents, and
15 also by depriving lower-income tenants who need the
16 shelter. It further imposes unfair costs on taxpayers
17 who are required to subsidize the new construction.
18 It is apparent from all the studies done and from all
19 the empirical data gathered that rent controls damaging
20 effects are devastating and become worse over time.
21 This government must allow the free market forces to
22 interact and thereby allow them to create the new
23 supply of rental units which will obviously manifest
24 itself in higher vacancy rates and competitive rents.

25 Eleven years of uncertainty, reversals
and government flip-flops has led to such an atmos-
phere of uncertainty and mistrust between all
interested groups that it is now clear that the time



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3 has come to phase in a decontrol program and return
4 Ontario to its enviable position of having one of the
5 best housing industries in the world as it did ten years
6 ago. The landlords, developers, investors, taxpayers,
7 homeowners -- although the homeowners are not aware of
8 it -- are all asking the government to say no to Bill
9 51 in its present form. Please hear their cries.

10 Thank you.

11 MR. HENNESSY: Thank you very much. Are
12 there any questions from members of the committee?
13 Mr. Reville?

14 MR. REVILLE: You take issue, then, with
15 the fair rental policy organization stance on Bill 51?

16 MR. SAIKALEY: I understand their
17 stance to be that they want Bill 51 passed with the
18 recommendations of the RRAC committee?

19 MR. REVILLE: Yes.

20 MR. SAIKALEY: Well, I am not really
21 aware of the RRAC committee recommendations.

22 MR. REVILLE: Well, that is mainly what
23 Bill 51 is. Not entirely but in the main. The govern-
24 ment has drafted a Bill that reflects the thrust of the
25 RRAC report, I believe. They acknowledge that. They
are nodding their heads yes.

MR. SAIKALEY: I am opposed philosophi-
cally and ideologically to any form of rent control.



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3 However, at this point in time it is my position and
4 my opinion that Bill 51, with certain amendments, more
5 particularly allowing a catch-up factor for the older
6 rental units, which would be the beginning, a spring-
7 board for decontrol, and in that sense I am not con-
8 fined by the fair rental policy organization. My
9 understanding is that they are happy with Bill 51.

10 MR. REVILLE: Yes.

11 MR. SAIKALEY: I am not happy with Bill
12 51 in its present form.

13 MR. REVILLE: I think it is fair to say
14 that they think Bill 51 is better than what might have
15 happened.

16 MR. SAIKALEY: As opposed to Bill 78,
17 I would agree with you. The problems I have with Bill
18 51 is the rent registry system, the maintenance
19 standards board, and any further entrenchment of rent
20 regulation or any further constrictions on a landlord's
21 ability to rent his apartments. I have problems with
22 that.

23 MR. REVILLE: Do you find it ironic at
24 all that your position is the same as most tenants'
25 groups, that Bill 51 should not pass?

MR. SAIKALEY: Well, the tenants, they
don't know it but they would be better off without rent



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3 control. That is my opinion. I think that's indicated
4 by Alberta's removal of the control program.

5 MR. REVILLE: It has also removed a lot
6 of tenants.

7 MR. SAIKALEY: Sorry?

8 MR. REVILLE: It removed a lot of tenants.

9 MR. SAIKALEY: Decontrol in Alberta did?

10 MR. REVILLE: Yes.

11 MR. SAIKALEY: How so?

12 MR. REVILLE: They could not afford the
13 rent, they had to leave and move to Ontario.

14 MR. SAIKALEY: Where the rents are very
15 similar according to my statistics?

16 MR. REVILLE: But controlled. You get
17 into a bit of trouble when you talk about what happened
18 in decontrol in different jurisdictions. We heard a
19 lot about what is going to happen in France or the fact
20 that France is decontrolling. What is going to happen
21 is the rents are going to rise by 30 per cent, and the
22 way the government in France is trying to deal with that
23 is that they are trying to phase it in at 10 per cent
24 a year. But the fact of the matter is that poor people
25 don't live in Paris anymore anyway because they could
not afford the rents.

MR. SAIKALEY: I think if you leave it



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3 to the forces of free competition that will erradicate
4 any problems regarding affordability.

5 MR. REVILLE: I am aware of that theory.

6 MR. SAIKALEY: It seems to work in most
7 of the world.

8 MR. REVILLE: There is one further
9 question, a detailed question. You spent a lot of time
10 in your brief talking about the slowdown in rental
11 construction. Have you looked at total building permits
12 issued?

13 MR. SAIKALEY: The statistics I used
14 were the CMHC monthly housing statistics from 1976 to
15 1985 which show the arrest of starts in single detached,
16 duplexes, apartments, et cetera.

17 MR. REVILLE: I just want you to know
18 that a plumber is just as happy putting plumbing into
19 a commercial building as he is in a residential
20 building.

21 MR. SAIKALEY: I am aware of that.

22 MR. REVILLE: I am sorry to use the male
23 gender but I only know one female plumber. I think if
24 you look at it, the total investment in construction
25 of all kinds, and the total employment in construction
of all kinds, has in fact increased.

MR. SAIKALEY: Do you think, though, that



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3 the advent of new commercial construction would affect
4 new housing? Wouldn't the ideal be lots of new housing
5 and lots of new commercial in terms of unemployment?

6 MR. REVILLE: It would be ideal if it
7 were economic.

8 MR. SAIKALEY: It could be made economic.

9 MR. REVILLE: How?

10 MR. SAIKALEY: Well, competition takes
11 care of economies of scale.

12 MR. REVILLE: Not if people can't afford
13 the product.

14 MR. SAIKALEY: That can apply to any
15 segment of any industry.

16 MR. REVILLE: Absolutely.

17 MR. SAIKALEY: I understand and I realize
18 there is a housing affordability problem for low-income
19 earners. That is made evident. The government has to
20 step in in that regard and assist those who need it by
21 ---

22 MR. REVILLE: How about this. What if we
23 keep rent control on and we improve government subsidies
24 to those who need it?

25 MR. SAIKALEY: Then what is the need for
rent control if you have the subsidies for low-income
earners?



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MR. REVILLE: Because if you do not have rent control then the subsidy program never stops. It grows and grows and grows.

MR. SAIKALEY: Well, we have had it for twelve years now. The problem I have is ---

MR. REVILLE: But most of the people who need it didn't get any subsidy either.

MR. SAIKALEY: I agree with that. That is why rent control is self-defeating.

MR. REVILLE: I will explain that to you, Fred.

MR. SAIKALEY: I have from the Elliott research study of January, 1986, that those earning 41,000 or more a year, 96 per cent pay less than 20 per cent of income on rent, 44 per cent of those pay less than 50 per cent of income on rent ---

MR. REVILLE: Yes, but rent control is not a social program, sir.

MR. SAIKALEY: Well, what is it?

MR. REVILLE: It is a consumer protection program.

MR. SAIKALEY: Well, define how it is protecting the consumer.

MR. REVILLE: The way the free market works, that you are so fond of, it means that if I can



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go out and buy it for two bucks less, then I should.

MR. SAIKALEY: Let the developers worry about that. The way they operate, before 1975, they will build, they will see the market, they will build and competition will drive the rents down. I have no problem with rent control in terms of consumer protection in that you want to prevent tenant gouging -- the Landlord and Tenant Act is what I'm talking about in terms of termination or eviction. But in terms of consumer protection, I fail to see how a rent registry or subsidizing those who do not need it is consumer protection. It is consumer assistance.

MR. REVILLE: What is the point in having rent control at all if you do not have a rent registry?

MR. SAIKALEY: Not every system has a rent registry and they are working.

MR. REVILLE: No, they are not.

MR. SAIKALEY: Then we do not need rent control.

MR. REVILLE: We have rent control and a third to a half of the landlords charge illegal rents. The way you deal with that is you write down what the rent is supposed to be somewhere and people can find out.

MR. SAIKALEY: How did you obtain figures



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of one-third to one-half are obtaining illegal rents?
From the ministry?

MR. REVILLE: Yes.

MR. SAIKALEY: Does that mean there was
charges laid under the ---

MR. REVILLE: There are indeed.

MR. SAIKALEY: Representing one-third to
one-half of the units?

MR. REVILLE: No, I said one-third to
one-half the landlords are being charged -- have
charged illegal rents.

MR. SAIKALEY: That must be -- the only
way to determine that is through applications for rent
rebate.

MR. REVILLE: No, there are other ways
to determine that.

MR. SAIKALEY: Such as? A poll, maybe?

MR. REVILLE: No, I do not think the
landlords responded favourably to that poll. But that
is the evidence we have heard. It is difficult to
substantiate and it always will be.

MR. SAIKALEY: I just want to tell you
something on that. I told you I am a lawyer and I had
a case where a small landlord was renting a duplex. He
was renting one side of the duplex for about \$300 a



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3 month. He wanted to move in his daughter and son-in-law,
4 who were recently married, into that apartment. The
5 tenant objected. He said no, he really likes the place,
6 he wants to stay. Of course, if he had to move to a
7 new place it would probably be \$500 a month.

8 My client is very unsophisticated,
9 elderly Italian gentleman who has a problem with the
10 English language. Obviously no comprehension of the
11 effects of the Landlord and Tenant Act. They made a
12 deal where the tenant would stay for \$400 a month. The
13 tenant proposed this plan. He said he will stay, he
14 would pay more, \$400 a month. Whatever, I am not
15 exactly aware of the figures. So he stayed for another
16 year at this rent that he proposed. After one year he
17 left and made an application for a rent rebate, saying
18 that this guy overcharged him. Now, of course, the
19 Landlord and Tenant Act provides that you cannot con-
20 tract out of it, so of course he was stuck with it.

21 So then we have abuses by the tenants,
22 which the legislation proposes to protect, and making
23 deals that contravene the Act. And of course getting
24 away with it.

25 Now, as we have not finished with it
because I am challenging it constitutionally and it is
going to Divisional Court, et cetera, I will not bore



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you with that, but this is the problem you are going to face.

MR. REVILLE: Sure.

MR. SAIKALEY: What do you do?

MR. REVILLE: Well, that will always sort of happen. It strikes me that the landlord did have a way to get that unit back because it was his son and daughter-in-law coming in. In fact, if he had insisted on that, bye, bye tenant. Sometimes, of course, the son and daughter that are moving in are not really the son and daughter, but that is the other side of that coin. Indeed, the tenant made a better deal than the landlord in that case. I submit to you, though, that that is probably more the exception.

This Bill clearly does not do much for small landlords and I think that is the problem.

MR. SAIKALEY: The other thing that I find surprising about Bill 51 is that it seems nobody likes it.

MR. REVILLE: Some of us dislike it more than others.

MR. SAIKALEY: All right.

THE CHAIRMAN: Any other questions for Mr. Saikaley? If not, thank you very much.

MR. SAIKALEY: Thank you.



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THE CHAIRMAN: Is Tap Mukherjee here?

MR. MUKHERJEE: Yes.

THE CHAIRMAN: Mr. Mukherjee, welcome to the committee.

MR. MUKHERJEE: Thank you.

Mr. Chairman, hon. members of the committee, ladies and gentlemen. I am pleased I have been, given the opportunity to offer my views and ideas on the proposed Bill 51.

I'd like to congratulate the Minister of Housing for presenting legislation that is fair, reasonable and balanced. It limits the harm caused by rent control; offers incentives to landlords, and at the same time provides relief to tenants by being responsive to the most fundamental human needs: shelter. The legislation is remarkable in another sense. It encourages a non-adversarial approach to problem-solving. The government of Ontario has taken an excellent step in the right direction; even the most conservative paper like The Citizen describes the Bill as "a fairer system than before".

I heartily endorse some of the points raised in this Bill, because for the first time, it is a business approach as opposed to the partisan approach explored earlier which seems to have the electorate



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3 divided. The Residential Rent Regulation Act, if
4 further simplified, should turn out to be a manageable
5 Act, acceptable by all sides as equitable.

6 Despite the glaring and controversial
7 differences in attitude and interests between landlords
8 and tenants, one thing is for sure, both equally need
9 each other to survive. Though we live in a free
10 society, the government I am sure has at least a moral
11 responsibility to its people to ensure the three
12 basics, adequate and affordable food, clothing and
13 shelter. While there has not been any food riots or
14 battle to secure work boots, housing for some unex-
15 plained reason has grown to be a major problem. Is it
16 because it is presumed that justice to one side, auto-
17 matically creates injustice to the other?

18 For starters if we may assume that land-
19 lords either buy or build apartment units, not for the
20 pure love of running it alone, but from strict invest-
21 ment reasons, it should be obvious therefore that
22 return on investment is of prime importance to them.
23 The tenant on the other hand should have the opportunity
24 to choose from a variety of rental units, depending on
25 size, location, facilities and rents, thereby auto-
matically creating standard acceptable market rents.
In theory this should work but what went wrong? Without



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3 theorizing however on why we have this problem, let me
4 point out what impact Bill 51 will have in solving some
5 of these existing problems.

6 The merit of the rent registry, and the
7 way set out for filing of such information by the land-
8 lord is indeed correct. The bonus for filing on time
9 should appeal to landlords as the penalties for not
10 filing, remain harsh. The landlord has much to gain and
11 little to lose by filing the required information. The
12 "specified time" in which the tenant may dispute such
13 information has to be stipulated. Also for security
14 reasons alone, the rent registry information which will
15 be made public for a fee, should include only the unit
16 number and the rent paid and not the names of the tenant.

16 The residential rental standards board is
17 an excellent idea, as it would help tenants receive the
18 very basic of safety and comfort sometimes denied them.
19 Most to benefit from this would be tenants in smaller
20 rental units where the landlord rules with an iron grip,
21 mostly on the most vulnerable part of our society, the
22 under-privileged so-called ghetto dwellers. I have
23 personally encountered such dwellers even in this
24 beautiful capital city of ours. Living in damp, cramped
25 basement apartments, huddled together with roaches, with
no running water, shared faulty toilets under inhumane
conditions, and jointly paying rents that would compare



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3 favourably per square foot to Manhattan's commercial
4 complexes.

5 Ladies and gentlemen, let's not be shaken
6 by the fact that someone we know well or love dearly may
7 for any number of reasons be forced to join the ranks of
8 these ghetto dwellers.

9 The landlord would also benefit from
10 rental standards board by permitting the equalization of
11 rents for similar rental units as outlined by the Bill
12 as long as they conform to certain standards which
13 should be set. In certain chronically depressed rental
14 complexes, the provision to bring rents to market level
15 will be applauded by the affected landlords I am sure.
16 The time frame however that will be required to cushion
17 the impact or the percentage, or way of increase has to
18 be scrutinized for better protection of landlords as
19 well as tenants.

20 The reference to the residential rental
21 standards board ruling for appropriate maintenance
22 standards to apply to all residential complexes will
23 I feel run into difficulties, unless options are
24 provided to landlords. Landlords have sometimes opted
25 for certain practical but nonetheless unethical
practices to confront either (a) a better profit margin,
or in most cases (b) to control their margin of



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3 operating loss. Heating is a good example.

4 This ever-increasing but unfortunate must
5 is a tremendous headache to most landlords. To obtain
6 or regulate a perfect temperature setting at all times
7 is a near impossibility when you are serving hundreds
8 of different tenants. Therefore tenants who love the
9 fresh northern air in the middle of winter opt to leave
10 their windows open. The resulting waste would easily
11 amount to 25 per cent of the heating bill the landlord
12 has to pay, if this is practised by a few tenants
13 regularly. A dripping faucet unreported does similar
14 damage. Landlords have been known to have put timers
15 on their heating systems to control at will what they
16 deem to be the right heating bill, leaving some tenants,
17 specially those that stay home with small children, to
18 bear the discomfort and agony for the callous waste by
19 others! In this day and age of energy conservation, is
20 this not a criminal waste of our resources? If tenants
21 had to pay for the use of their portion of heat and
22 hydro usage in lieu of future rental increases, it may
23 help to offer an alternative.

24 The abolition of the so-called "key
25 money", I however do not totally agree with depending
on how you define key money. It seems to me like a
total contradiction to the purpose of having a rental



standards board, as it fails to protect landlords from wilful and malicious damage by some tenants. The landlord and his building cannot make a hasty and unannounced exit, with the wit and speed some tenants can! From practical experience, I can assure the committee that landlords find it next to impossible to trace tenants with disappearing acts! Should this added cost of repair and maintenance be passed onto the other tenants in the form of increased rents?

Though the same motivation exists in both small and large unit holders of rental properties, there is a marked difference in attitudes and operational practices. It is therefore imperative that we do not use a standard ruling or the same yardstick to measure their performance. One may truly have only survival in mind, whereas the other, a mere percentage of growth.

Of the number of cute measures taken by some developers to circumvent the present legislation, one is particularly damaging to tenants. With new buildings the landlord can offer a spectacular bonus of one month's free rent at the end of one year's occupancy. The tenant pays the landlord eleven cheques of \$710 each and spends the twelfth month absolutely free! What a bargain! Divided by twelve months this represents \$650 a month rent which may be standard. Guess what



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3 happens after the first year? The landlord is legally
4 allowed to charge a percentage increase based on the
5 \$710 without providing any bonus this time around.
6 Resulting in inflated market rents. Who benefits? Who
7 is ridiculed? Who ultimately shares the burden for
8 this clever exploitation?

9 When formulating the landlords increased
10 operating costs as it relates to paragraph 6, 7 and 8
11 in the explanatory notes, it must be clearly remembered
12 that there is a marked difference in present actual
13 values between, for example, two-bedroom condominium
14 units and a similar two-bedroom rental unit. The
15 typical condo unit may range in price from \$65,000 to
16 \$75,000, whereas the rental equivalent may have a price
17 range of about \$25,000 - \$30,000 or less than half.
18 This will always generate interest on the part of the
19 shrewd investor to purchase these under-valued units
20 that have no relation with market rebuilding costs. He
21 will be correct in speculating the wide room for upward
22 mobility regardless of immediate cash shortfalls. While
23 I fully expect the Ministry of Housing to remain
24 responsible for regulations, I would expect especially
25 in light of the rent review advisory committees unpara-
lled success, that outsiders like these concerned
individuals and professionals be called upon to contri-
bute to the regulation making process.



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3 Those that seek outright confrontation,
4 like the attached letter to an investor imply, should
5 be dealt with accordingly. On the other hand I have
6 tried to provide a factual insight into running of a
7 small apartment building that I am personally aware of,
8 in the attached "Practical Joys of being a Landlord"
9 for the committee's perusal. This also exemplifies the
10 desire for investors to be "the bigger fool" for this
11 exact reason.

12 Also attached please find a copy of a
13 letter from an investment brokerage firm outlining a
14 tax free grant for 30 per cent of their investment,
15 provided by the province of Ontario through the Small
16 Business Development Corporation, to create high class
17 rental units. I believe at this time when we are
18 battling an almost losing battle in providing affordable
19 housing to thousands of working class families across
20 Ontario, this is not a priority expenditure of tax
21 dollars. Even a small part of this money channeled
22 through the Ontario Mortgage Corporation, would help in
23 creating many affordable rental units in small
24 communities across Ontario.

25 In closing, Mr. Chairman, hon. members,
I'd like to thank you again for giving me this oppor-
tunity to express my views on this historic Bill, and



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3 I remain at your disposal should you need my assistance
4 with its finalization.

5 THE CHAIRMAN: Thank you, Mr. Mukherjee.
6 Just as a matter of clarification, I believe that the
7 rent registry, the Minister has already indicated there
8 would be no fee. Am I correct in that?

9 MR. PETERS: Except for large commercial
10 users.

11 THE CHAIRMAN: I did not know what you
12 meant, Mr. Mukherjee, when you ---

13 MR. MUKHERJEE: I think it was in the
14 note that there was going to be a fee charge.

15 THE CHAIRMAN: Any questions?

16 MISS GIGANTES: Mr. Mukherjee, thank
17 you for your presentation. It is your attachments that
18 I find most interesting. I wonder if you could make
19 a comment on your first and second attachments?

20 MR. MUKHERJEE: The first one clearly
21 states that --- I will have to read this out to you:

22 "In the past year, revenues have increased
23 approximately 8 per cent."

24 This is a letter from a large developer
25 to investors. It continues:

"It is Mastercraft's policy to charge the
maximum rent that the market will bear,



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3 regardless of possible rent control
4 legislation. Our philosophy is that it
5 is easier to refund money to tenants than
6 to try and collect back rent from them.
7 In summary, we will continue to charge
8 as much rent as the market will bear."

9 MISS GIGANTES: This would be an argument
10 for why there should be an interest cost on repayments
11 by landlords of rents over the guideline, or rents not
12 approved by the commission?

13 MR. MUKHERJEE: In this case it might be
14 difficult because there are hundreds of investors and
15 they are just the controlling factor there.

16 MISS GIGANTES: On your second attachment,
17 is this a building with which you have had personal
18 experience?

19 MR. MUKHERJEE: Yes.

20 MISS GIGANTES: I find it very difficult
21 to understand the finances involved because I am no
22 expert in this field. Perhaps you can help me. It does
23 not look like it was a very large building?

24 MR. MUKHERJEE: Twenty-four units.

25 MISS GIGANTES: And it produced only
\$37,000 in income?

MR. MUKHERJEE: That is over the period



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3 of January to May, five months.

4 MISS GIGANTES: You are right. So we
5 would double that for the yearly ---

6 MR. MUKHERJEE: I have it at the bottom.
7 The loss for the year would be about \$23,281.

8 MISS GIGANTES: The income over a twelve-
9 month period would be -- could we sort of double that
and add 10 per cent?

10 MR. MUKHERJEE: More than double it, yes.
11 But I just based it on the loss. The loss basically
12 remained steady over the income.

13 MISS GIGANTES: Would that be in the
14 first year of a mortgage?

15 MR. MUKHERJEE: More or less.

16 MISS GIGANTES: How would a building
17 that was generating less than \$75,000 income per year
sell for \$240,000 if there was no money to be made?

18 MR. MUKHERJEE: Okay, it didn't sell for
19 \$240,000. Initially the building was bought for \$460,000.

20 MISS GIGANTES: Bought for \$460,000?

21 MR. MUKHERJEE: Twenty-four units, yes.
22 Within a year it was turned around and sold for \$240,000
23 more.

24 MISS GIGANTES: So that would be \$700,000?

25 MR. MUKHERJEE: That is right. It was



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3 turned around and sold again, within eight months, for
4 a \$130,000 more.

5 MISS GIGANTES: Can you tell me how that
6 happens in a market where the investors are losing
7 money?

8 MR. MUKHERJEE: Well, this basically
9 explains what is happening in the market-place.
10 Investors still feel that the per door price of a
11 rental unit is far lower than it should be. There is
12 basic proof right here.

13 MISS GIGANTES: Why would they feel that
14 way?

15 MR. MUKHERJEE: Well, for the simple
16 reason is, the per door price of a condominium, as I
17 stated earlier, is between \$65,000 and \$75,000.

18 MISS GIGANTES: So the intent would be
19 to purchase a rental building and turn it into a condo-
20 minium?

21 MR. MUKHERJEE: No. There is always
22 room for upward mobility when they are buying rental
23 units because the next investor again sees the same
24 point and will pay more.

25 MISS GIGANTES: That is what I do not
understand. Maybe that is why I am not in business, I
guess. What I do not understand is why a building that



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3 generates a total income of less than \$100,000 is going
4 to look attractive enough to spend \$700,000 for?

5 MR. MUKHERJEE: Well, that is how the
6 market operates.

7 THE CHAIRMAN: It is possible that you
8 just do not understand the contradictions of capitalism,
9 Miss Gigantes.

10 MR. MUKHERJEE: You see, they are
11 basically losing money initially. There is a cash
12 shortfall initially. But there is somebody else a year
13 from that date, when he buys it, the bigger fool,
14 willing to pay more.

15 MR. REVILLE: There is a bigger fool
16 born every moment.

17 MR. MUKHERJEE: That is right.

18 MR. REVILLE: Is that why capitalism
19 works?

20 MISS GIGANTES: But in fact if you pay
21 off the mortgage, then you are going to make money on
22 that building?

23 MR. MUKHERJEE: Oh, yes. And pay taxes.

24 MISS GIGANTES: Yes.

25 MR. MUKHERJEE: That is not the idea of
the investor.

MR. REVILLE: Mr. Mukherjee, could you



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tell me the purpose of your -- why did you attach page two, the letter from Mr. Blumenthal, to your brief? I cannot quite figure that out. I see your reference to it in the body of your brief and that is talking about the Small Business Development Corporation.

MR. MUKHERJEE: Yes. That is the next one.

MR. REVILLE: Well, why did you put that one on?

MR. MUKHERJEE: Well, that is basically, in my point of view it shows the attitude of large developers toward rent control.

MR. REVILLE: That they laugh at it?

MR. MUKHERJEE: That is right.

MR. REVILLE: Just hang on for one second. To the ministry staff, what are the penalties for charging illegal rents under this Bill?

MR. PETERS: It is a \$25,000 fine maximum.

MR. REVILLE: And you have to give the money back?

MR. LAVERTY: That would be a separate provision, of course.

MR. REVILLE: You might not be able to charge a rent increase at all? A \$25,000 fine might



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3 not be much of a deterrent if there is enough illegal
4 rent, it seems to me? But not getting a guideline
5 increase would smart if you had enough units. Is that
6 possible?

7 MR. PETERS: I think in terms of the
8 question, there are provisions in the Statute for fines
9 per count, and \$25,000 for a corporation. What is not
10 clear from the letter is whether this is a pre-1976
11 or post-1975 building. I would assume, based on the
12 information contained, that this particular building is
not yet subject to rent regulation.

13 MR. MUKHERJEE: That is right.

14 MR. REVILLE: I think it would be
15 appropriate to write a letter to Mr. Blumenthal, who
16 indeed was here yesterday, and let him know that he may
be skating a bit close to the line here.

17 I have another suggestion for you. You
18 pointed out the concern of the small investor, small
19 landlords, about damages that they suffer. A tenant
20 wrecks the joint and is gone. This is not a frivolous
21 suggestion I am making to you. The Landlord Comp-
22 sation Board, in one way it could work, in that you
collect the last month's rent from your tenants.

23 MR. MUKHERJEE: Exactly.

24 MR. REVILLE: What if the government
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were to offer a service, take the last month's rent from all the small landlords, put it in a big pot and use the incredible amount of money that the provincial government has around to attract one hell of a big rate of interest on that money, and then if you suffered a loss from a tenant who disappeared and you could not find him again, you could draw on that pot and the Landlord Compensation Board to help you recover some of your loss?

MR. MUKHERJEE: Something like an insurance policy?

MR. REVILLE: Something like that.

MR. MUKHERJEE: Would it work?

MR. REVILLE: Well, you heard it first from the NDP.

I had been thinking about that problem because, for someone who has only a few units, if you have someone who does not pay the rent or wrecks the joint, then that is a serious loss to you. Whereas if you have 20,000 units or something you can sort of shift it around. Yet you do not want to make the Landlord and Tenant Act less protective. I think you would acknowledge that tenants need some security of tenure, and that when you get a bad actor who uses the law, then that is really irritating and costly.



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MR. MUKHERJEE: Exactly.

MR. REVILLE: Well, we will think about that a bit.

THE CHAIRMAN: Mr. Mukherjee, thank you for your appearance before the committee.

MR. MUKHERJEE: Thank you.

THE CHAIRMAN: We have had a cancellation from Mr. Goldfarb. The next presentation is from Mr. Haboly. Would you take a seat and make yourself comfortable? Welcome to the committee.

MR. HABOLY: Thank you. As I am listening over here -- as you know; with my accent, I come from Hungary -- I wonder where we are now. As a landlord I have no right to raise the rent what I want. I have no right to tell to the tenants move out if they behave. I want to throw tenants out, they have a bird in their apartment, bringing in a washer or dryer, they don't pay rent, I have to go the court; number one, number two, number seven, go back four, go back five, finally go to the court. They are still in the apartment. I can't throw them out. But in the meantime when the lease expired the tenants gave me this piece of note, I am going to move. I can't do nothing. He is going.

Now, if we are talking about a democratic



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3 institution in the good old capitalistic Canada, why
4 I don't have as much right as a tenant? I ask all of
5 you here, including MPP. If the tenants have the right
6 to tell to me he is going to move when the lease expire,
7 why I don't have as much right as the tenants to tell
8 them "I don't need you"? I have three tenants that
9 hate me, I hate them. It's mutual. Okay? A cheque is
10 bounced every three, four months. I went to the court.
11 Nothing. I waste the time in the court. Go with the
12 register, take them to number five. Come back again.
13 Number seven, number nine. Finally end up in the court,
14 it is still nothing happen, is still there in the house,
15 still don't pay rent.

16 Now, what I don't understand, it's all
17 come from Pinky Davis and his gang. It's not from the
18 present government, I understand that. But as a painter
19 contractor I do know as much. In Glebe how many apart-
20 ment units vanish because of rent control? Who live in
21 Ottawa knows that next to the post office there was a
22 duplex. Out of the duplex comes a fourplex. When
23 owner get tired of they don't pay rent he kick everybody
24 out and he did move in both sides of the double -- this
25 is a double. He blocked up one door and he is alone.
There was four units lost all because of rent control.
No return.



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3 I bought house in 1983. First year,
4 \$8,000. 1984, \$3,000. Last year I am still losing
5 \$900, almost a thousand dollars a year. I get some
6 increase but it is not enough.

7 For NDP, they support everybody. I have
8 one bill over here from -- you can see that.

9 MR. REVILLE: You are not going to give
10 that to me?

11 MR. HABOLY: No, I am just saying. It
12 is \$45 for a plumbing bring something out. Where was
13 NDP that time when the plumber want to get a raise and
14 the electrician and everybody? They did not say they
15 don't need the raise. Here it is, show to them. It is
16 \$45 just to clean something.

17 MR. REVILLE: I was a plumber for many
18 years and you got a good deal here. It is only \$47.

19 MR. HABOLY: Okay, \$47 just to clear
20 something.

21 MR. REVILLE: That is to unblock the
22 basement with the electric machine, they are very
23 expensive.

24 MR. HABOLY: Very expensive. Okay, I
25 need the bill back because of Mr. Income Tax.

So what I am asking over here as a small
landlord, first year I did make a mistake, I did not



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3 hire nobody. Second year I hired somebody for \$500 to
4 repair everything for me. All that money which is
5 spent on the rent review and the court, everything, if
6 that money was given to some tenants who need it, I
7 have nothing against. But nobody -- they have at
8 present -- should not have a right in the capitalistic
9 country like Canada to tell to Frank Haboly and somebody
10 else that you have to carry your tenant on your
11 shoulders, subsidize his or her rent. That is what I
12 am doing now. Many of the small landlords doing the
13 same thing, too. What right any government tell to me
14 I have to subsidize any of my tenants who are making
15 more money than I? That is what I asking for.

16 I am against rent control. It must be
17 stopped because you could see that there is lots of
18 building. You mentioned, sir, before in Ottawa about
19 condominium. Condominium because they are -- you are
20 not able to throw out. Not only rent control or tenant's
21 right. We are landlord don't have no right at all. I
22 prove that to you all the paper over here. I went to
23 the court, cost money for the government, and you cannot
24 throw them out.

25 The man whom I want to throw out, he got
in the newspaper, bingo man, \$40,000, and cheque bounce
every third year. I can't throw him out. It's him.



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3 Cheque bounce, can't throw him out. He's laughing at
4 me. That's my tenant. I show you a cheque, okay?
5 Bounced four times in two years. Can't throw him out,
6 can't do nothing. So where we are?

7 As I want to say, you could see the
8 whole situation -- I mentioned to you before that I came
9 from Hungary. Since, Hungary changed, to turn to the
10 right. Since, China changed to turn to the right.
11 People have something to eat, they have apartments, they
12 have house, they have everything. No socialist govern-
13 ment able to serve right all his countrymen. Doesn't
14 matter what NDP, doesn't matter what all those pinkos
15 say, that is not the way to go.

16 I bought a place -- I sold three
17 duplex because I was not able to make money on them.
18 She want to move in long time ago, 1970. In 1979 I got
19 a place, takes me three weeks to rent one apartment,
20 cost me \$480. I still have it. Now if somebody move
21 out you could rent it right away because not enough
22 apartment. Vanish. Nobody building. Rent is not
23 enough. You cannot throw your tenants out. Now, in
24 order to finish all that nonsense, Bill 51, Bill 55,
25 rent control, you people, what you should go, is put on,
26 until you are going to phase out rent control, by square
27 feet and quality. Let's say in the west end there is



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3 some -- on Kirkwood Avenue there are some units renting
4 for 595, renting for 400, renting for 360. My next
5 door neighbour, Italian guy, working, he paid out his
6 six units, he is not able to raise it, his house
7 abandoned. There is a snow shovel coming, he don't do
8 nothing because he said why should I, I am not able to
9 raise more then 6 per cent. So he don't do nothing.
10 So that's the reasoning.

11 It should not be. Nobody has business.
12 You paid out your house or you did not pay it out. You
13 have mortgage or not. If the government want to do
14 something fairly, justified, put on a control by square
15 feet. There is a thousand square feet like mine,
16 roughly around 50 or 55 cents a square foot a month.
17 It should be rent for 550. That's for everybody.

18 You try to buy an apartment -- a gentleman
19 mentioned before. There is lack of apartment, nobody
20 build it. This is why the price went up. This is why
21 the rental in the long run they are going to be paying
22 more. He mentioned before. I bought one place for
23 \$160,000, I could sell it for 360,000 now. Who is going
24 to pay for that \$360,000 or who is going to rent? Not
25 me? I am making \$200,000 on it. I am losing the money
as such in the rental but the tenants going to pay for
it like they pay on Kirkwood Avenue. There was one in



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3 the newspaper because gentleman don't want to give it
4 for welfare people, give \$595 which I do think as a
5 landlord is too much. Should be around \$500.

6 Phase it out and be fair for both. Long
7 run our tenants going to pay for it. You could see in
8 Ottawa, you could see in Toronto. I came back from
9 London, I want to buy something, there is no apartment
10 available because nobody building it. That is not the
11 way to go in capitalistic country. Thank you very much.
12 You could ask anything what you like.

13 THE CHAIRMAN: Any questions from members
14 of the committee? If not, Mr. Haboly, thank you for
15 making your presentation. Mr. Reville will give you
16 back your belongings.

17 MR. REVILLE: That guy who made \$20,000
18 at the bingo, he should be able to afford to pay ---

19 MR. HABOLY: I can show you cheque, it's
20 bounce every third month. You can't throw him out.
21 So where we are? As I say, in Russia or where we are?

22 MR. REVILLE: Sue him.

23 MR. HABOLY: Go to the court again, three
24 times, four times. Waste the time of the court and
25 waste everything, okay?

MR. REVILLE: The court is happy to have
you there, I am sure.



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THE CHAIRMAN: The next presentation is from the Elgin Square Tenants' Association. Is Margaret Lunney here?

MISS GIGANTES: You are calling it a little early.

THE CHAIRMAN: It is a little early. They have not indicated they are cancelling out. Perhaps we will take a ten or fifteen-minute break and try and get hold of them. We have a phone number and they are the last presentation today so we will try and track them down.

We will adjourn now for about ten minutes.

--- A Short Recess

--- Upon Resuming:

THE CHAIRMAN: Could you identify yourself for the record and proceed at your convenience?

MR. DUNN: My name is Patrick Dunn. I am the chairperson of the Elgin Square Tenants' Association. I would like to thank the committee for allowing us to take the time to present a very short brief.

I should begin by giving you a brief sketch of who we are. We are the Elgin Square Tenants' Association and the 250 tenants we represent are located in the apartment complex at 475 Elgin Street in



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3 Ottawa, centretown. The complex is managed by Asco
4 Management Limited, a branch of the family-owned Thomas
5 C. Assaly Corporation who own the building. For the
6 most part the tenants are young professional and semi-
7 professional people under the age of 35,

8 The rest of the tenant population is made
9 up of students, retired people on fixed incomes, single
10 working parents and others who work part-time and share
11 their accommodations to save on their rent. With few
12 exceptions these tenants are reasonable and responsible
13 people who pay their rent on time and otherwise live
14 and work in centretown by their own choice. As tenants
15 we share a common denominator. After the rent is paid
16 and the bills taken care of, we have little disposable
17 income. This is most important to us when we consider
18 Bill 51 and how it will impact upon us. It is widely
19 recognized in our area that already in Elgin Square we
20 pay excessive rents.

21 I would like to give you an example from
22 a personal perspective of what I am talking about.
23 Presently I pay a monthly rent of \$733 for a two-bedroom
24 unit. Now, under the proposed guidelines next year my
25 rent will increase by \$38 monthly. My take home pay
increase this year at the inflation rate of 3.5 per cent
at the good graces of my employer, which gave me a take



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3 home sum of \$36 after deductions. As a single parent
4 of two older teenagers I cannot support another giveaway
5 to the landlords. We formed our association about ten
6 months ago to act collectively against a landlord who
7 was short on delivery of services, harassed the tenants,
8 treated them in an offhand and cavalier manner, and we
9 are still not getting the quality of services we pay
10 good money for and we continue to distrust this landlord.

11 Simply stated, we cannot afford Bill 51.
12 Nor can we see any good reason to reward this landlord
13 or others like him with increased monies they clearly
14 do not deserve.

15 My landlord will be happy to note that by
16 this time next year I will have to move because his
17 rents have driven me to look elsewhere. But when do we
18 stop this game of musical apartments and will there ever
19 be a ceiling on the rents we pay?

20 I would like to speak next to the Bill
21 as it is viewed by your average tenant. We have
22 discussed that in our association meetings. The Bill is
23 one of great complexity, leaving the average tenant
24 gasping for breath trying to understand the legalese
25 and it will certainly be a great boon to the legal
community in this province. As legislators you have a
unique opportunity to write something that, for once,



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3 we as tenants can read and understand and not feel
4 intimidated by its language. You at least owe us that.

5 The last thing we need is another income
6 tax like legislation that no one can understand. It
7 appears to us that it is heading this way. It also
8 appears that both sides, looking at Bill 51, don't like
9 it. The present Act is not much better and we ask what
10 is so wrong that in throwing both these out, calling in
11 neutrals and creating something we can all live with --
12 the issue is far too important to rush into and we urge
13 this government to give it a long hard look.

14 As a final comment to you, I would like
15 to say that we fully support the position taken last
16 evening in the brief presented to you by the Ottawa-
17 Carleton Federation of Tenants' Associations. They
18 have done and are presently doing a great service to
19 the tenants in this region who are usually a very silent
20 majority. We hope they continue to receive support in
21 the important work they are doing and perhaps the govern-
22 ment can look at funding this very important work that
23 they are doing.

24 Thank you.

25 THE CHAIRMAN: Any questions from members
of the committee?

MISS GIGANTES: I have a great deal of



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3 sympathy with your position that we look at Bill 51 for
4 a long, long, long time, but I suggest to you that the
5 experience at Elgin Square has been one where illegal
6 rents have gone on in the past and if we do not get
7 something like 51 passed we are not going to have a rent
8 registry.

9 MR. DUNN: I agree.

10 MISS GIGANTES: You are over the barrel.

11 MR. DUNN: It is a great dilemma and we
12 certainly appreciate the complexity of getting on with
13 the job. If it is just to satisfy, for the sake of time,
14 I am not so sure that that is the prudent course.

15 MISS GIGANTES: I tend to agree with you.
16 You might be amused to know that one of the -- in fact
17 it was Dan MacIntyre who suggested to me that what we
18 are dealing with in Bill 57 is two-thirds of Bill 58
19 minus one. Thank you very much.

20 MR. DUNN: Okay.

21 THE CHAIRMAN: Mr. Dunn, thank you for
22 making the presentation on behalf of your tenants. We
23 appreciate your presence.

24 MR. DUNN: Thank you very much.

25 THE CHAIRMAN: That completes our work
in Ottawa and for this week. We meet next in London,
Ontario, next Tuesday afternoon at 1 p.m. We are



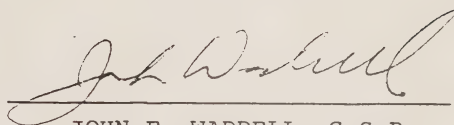
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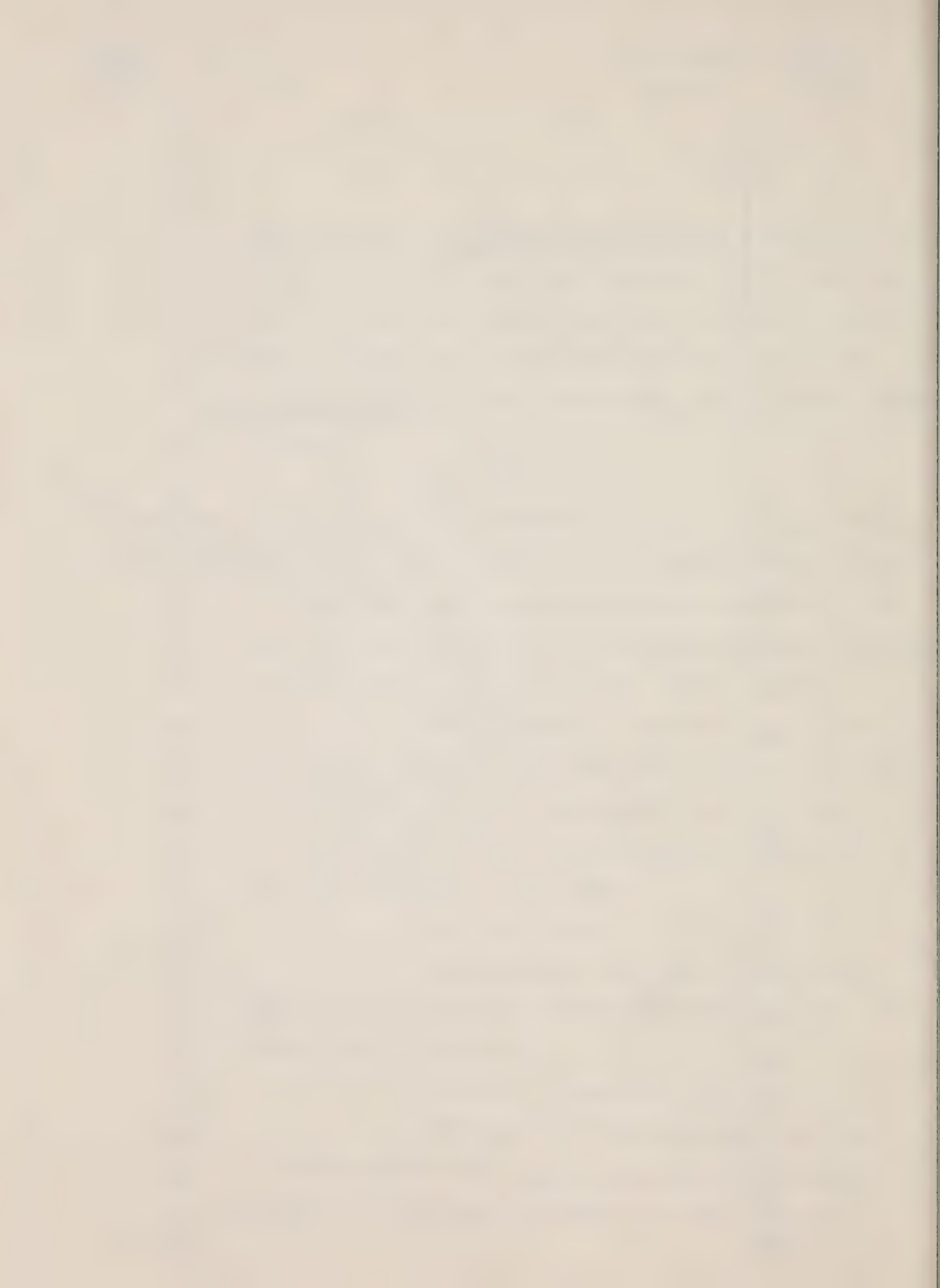
Toronto, Ontario

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3 adjourned until then.
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JOHN F. WADDELL, C.S.R.



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Government
Publications

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

RESIDENTIAL RENT REGULATION ACT

TUESDAY, SEPTEMBER 23, 1986



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

Cordiano, J. (Downsview L)

Epp, H. A. (Waterloo North L)

Knight, D. S. (Halton-Burlington L)

Pierce, F. J. (Rainy River PC)

Reville, D. (Riverdale NDP)

Smith, E. J. (London South L)

Stevenson, K. R. (Durham-York PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Caplan, E. (Oriole L) for Mr. Knight

Gordon, J. K. (Sudbury PC) for Mr. Taylor

Jackson, C. (Burlington South PC) for Mr. Stevenson

Clerk: Decker, T.

Staff:

Richmond, J. M., Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Housing:

Curling, Hon. A., Minister of Housing (Scarborough North L)

Laverty, P., Director, Rent Review Policy Branch, Rent Review Division

Peters, F. H., Executive Director, Rent Review Division

From Freure Homes Ltd.:

Freure, H.

From Hayhurst Village Apartments:

Pantaleo, L. D.

Individual Presentations:

Vogel, R.

Halsall, D.

From the London and St. Thomas Real Estate Board:

Pascoe, A.

From the London Property Management Association:

Paliwoda, K.

Currie, J.

From Tecsar Engineering Inc. and the St. Clair Association of Rental
Property Owners:

Hayward, R.

Individual Presentation:

McNally, R.

From the Fair Rental Policy Organization of Ontario:
Parker, B.

From Parkside Management Ltd.:
Izawa, R.

From Baldwin Realty Corp.:
Baldwin, B.

From the Tenants' Protective Association:
Armstrong, J.

From Sifton Properties Ltd.:
Sifton, G., President; Member, Rent Review Advisory Committee

From Hallman Property Management Ltd.:
Hallman, L.

From Marshall Resources:
Schnurr, J.

From Cardinal Management Services:
Grant, F.

From the Rent Review Advisory Committee:
Elms, R.



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

* * * * *

BEFORE:

Floyd Laughren	-	Chairman
Cam Jackson	-	Member
Leo Bernier	-	Member
Dave Ramsay	-	Member
Alvin Curling	-	Member
Joan Smith	-	Member
David Reville	-	Member
Joe Cordiano	-	Member
Eleanor Caplan	-	Member

* * * * *

Sitting in the Talbot Room of the Park Lane Hotel,
Richmond Street, London, Ontario on Tuesday, the
23rd day of September, 1986

* * * * *

Nethercut & Co. Ltd.
185 Richmond St. W.
Toronto, Ontario
M5V 1V3

Per: S. Shambleau, CVR



1 ---Upon commencing at 1:05 p.m.

2 THE CHAIRMAN: The Resources
3 Development Committee will come to order. Despite
4 the sign downstairs it is not the Residential
5 Development Committee, it is the Standing Committee on
6 Resources Development. The Ontario legislature has
7 assigned to us, an all party committee on Bill 51,
8 to hold party hearings and when that is completed
9 will debate the Bill clause by clause and make any
10 amendments that are brought forward either by the
11 Ministry or by members of the Committee. That is what
12 we are in the process of doing right now.

13 After today we have meetings in
14 Windsor tomorrow and we go back to Toronto for another
15 week of hearings, two weeks actually, and then when
16 the legislature returns after Thanksgiving, the new
17 session, we begin the clause by clause debate.

18 I would like to begin by introducing
19 to you members of the Committee. On my far right
20 is Cam Jackson from Burlington South. Next is Leo
21 Bernier from Kenora, Dave Ramsay from Timiskiming and
22 on my immediate right is Alvin Curling, the Minister
23 of Housing. We are very pleased to have him with us
24 here today.

25 On my immediate left is Joan Smith



1 who most of you I am sure know from London South.
2 David Reville from Riverdale Riding in Toronto.
3 Joe Cordiano from Downsview in Toronto and Eleanor
4 Caplan from Oriole Riding in Toronto as well.

5 My name is Floyd Laughren and I
6 represent the Riding of Nipigon North and West of
7 Sudbury.

8 We have some ministerial staff here
9 as well. On my left over here, high powered
10 ministerial staff. The research assistants here
11 and the Hansard reporter sitting at the table here.
12 The Hansard reporter is here because in this particular
13 location we were having trouble picking up some of the
14 deputations that were made in other communities so
15 we have got him nice and close to the people who
16 will be doing the presentation.

17 We had some tough decisions to make
18 in setting up the schedule whether to give people
19 as much time as they wanted and not hear from very
20 many people or to really restrict the time because
21 we are restricted in the time that we have,
22 restrict the time and hear from as many people as
23 possible and we chose the latter as a Committee and
24 that is why the schedule is for 20 minute presenta-
25 tions which is makes it very tough, very tight, but



1 at least it gives people a chance to have a say and
2 while two hours seems like a long break for supper,
3 it really isn't when you are eating at hotels and
4 so we will try and break as close as possible to
5 five o'clock, so that we can be back by seven. If
6 I don't stop talking soon, we will be even further
7 behind.

8 The first presentation is Freure
9 Homes Limited, Harold Freure. Am I pronouncing that
10 correctly? Is my pronunciation good enough?

11 MR. FREURE: That is correct.

12 THE CHAIRMAN: Welcome to the
13 Committee. Do you have a copy of your brief?

14 MR. FREURE: Yes. All I have done,
15 Mr. Chairman, is made some points to cover. It is
16 going to be very informal and off-the-cuff.

17 First of all I would like to express
18 my appreciation for the opportunity of appearing
19 before your Committee. I think that I probably
20 represent the typical builder-developer from the
21 province of Ontario and I say "typical Ontario" and
22 I would like to exclude Toronto from that. I don't
23 feel that Toronto is typical of the rest of Ontario.
24 So I am using the term "typical Ontario" and I would
25 like to go through my comments on Bill 51 and



1 | pertinent facts significant to that Bill.

2 | A description perhaps of Freure
3 | Homes. I am president and I have been in business
4 | some 30 years in the area of Kitchener and Waterloo.
5 | It is a family operated business. I have two sons
6 | in the business and we build single family homes,
7 | condominiums, industrial and institutional and
8 | apartments.

9 | We do build apartments, we do manage
10 | our apartments and we do own apartments and we are
11 | presently building apartments on the Rentaprise
12 | program. We have built some in the past under various
13 | government programs.

14 | The typical builder in Kitchener-
15 | Waterloo I think we have 150 builders and if you worked
16 | out the average number of homes it is probably only
17 | about 10 homes for each builder, so we are not large
18 | builder-developers. There are a number of us that
19 | would build in excess of 100 units, three or four
20 | in that category. The rest are smaller builders.

21 | I would like to stress the importance
22 | of the Fair Rental Policy Organization of Ontario
23 | of which we are a member. I think this has provided a
24 | method by which government can learn of the concerns
25 | of our industry. You can hear some of the problems



1 that are faced through this organization and I stress
2 this because a number of our members in our industry
3 as I mentioned before are smaller firms. They don't
4 take the time to come down to Queen's Park, print
5 placards, go into join protest groups. We don't
6 wave the placards. Very few of us even get involved
7 in writing to members of government or the MP's, but
8 I think that if members of your committee make it
9 a point to come out to hear our views you would get
10 a clear cut viewpoint of our industry and our
11 concerns, but as I say, we don't normally go out
12 and make presentations. We are too busy running a
13 business, too busy earning an income, too busy looking
14 for ways to keep our employees busy.

15 Hence when Bill 51 is produced or
16 initiated or rent control is initiated, a lot of our
17 members will shrug their shoulders and go on about
18 their business and forget the development of apartments
19 So that I think it is important through the Fair
20 Rental Housing Policy Organization, you can overcome
21 the lack of government understanding in regards to
22 our problems which I think has been a problem in the
23 past and the reason for some of the controls that
24 we have been faced with under rent control.

25 I would also like to stress the



1 importance of the committee of landlords and tenants
2 that have made a presentation to you. I think that
3 is a step in the right direction because you are
4 getting the viewpoint of both the residents of our
5 projects and the viewpoints of the owners and
6 developers and the landlords.

7 Now in regards to Bill 51 I am in
8 favour of Bill 51 being enacted and passed as it has
9 been recommended by the Rent Review Advisory Committee.
10 Now because I say I am in favour of Bill 51 that
11 does not necessarily mean that we are in favour
12 of rent controls. I think that Bill 51 is an
13 improvement over the original Bill that was proposed
14 last May. I think that Bill 51 is a step in the
15 right direction to eliminate some of the concerns
16 of the industry but I don't think it is the be all and
17 end all to the salvation of the rental industry and
18 I don't think it will -- I look at Bill 51 as
19 damage control. It will eliminate damage that has
20 been done to an industry over the past number of
21 years and it will prevent further damage being done
22 to our residential rental industry.

23 I am going to make comments here,
24 and as I say, I am in favour of Bill 51, but at the
25 same time these may sound critical. What I am



1 attempting to do is point out to you in my opinion
2 the things that Bill 51 does not do for the rental
3 industry.

4 As I said before, I think Bill 51
5 is a stopgap measure until full removal of rent
6 controls. Bill 51 will provide you with more
7 dwelling units during the present interval, but only
8 dwelling units that are funded or subsidized by the
9 government. I don't think we have got to the point
10 yet where our industry will invest in rental units
11 without some kind of subsidization and I don't think
12 Bill 51 will provide sufficient vacancies to
13 accommodate mobility within the ranks of
14 our residents and tenants of rental apartment projects.

15 I think that the more units that are
16 produced with subsidies, the greater the demand for
17 these units and hence will be accommodating residents
18 that really can afford to pay their own way in the
19 open marketplace. One of the problems with Bill 51
20 is it is an attempt to provide universal subsidized
21 units to all residents of Ontario, not just those
22 who are in need.

23 Bill 51 with its rent registry and
24 formulas is very complicated. It will have a tendency
25 to drive away the small builders and investors simply



1 because of the red tape involved.

2 Bill 51 does not lower the major
3 rental cost and if you look at what makes up the
4 major rental cost, the main cost of an apartment is
5 use of money, municipal taxes, energy costs, operating
6 and maintenance costs without any consideration
7 given for profit, and let me use as an example
8 a typical unit being built under your Rentaprise
9 program in areas outside Toronto. A typical unit
10 for a family of two or three, typical townhouse,
11 row house unit is probably a running around
12 \$60,000 in our neighbourhood, in our area, between
13 \$57,000 and \$60,000. That is the cost of a unit
14 today.

15 Now, if we look at the fact that the
16 tenant or the resident, the occupant of that unit
17 does not put up any of that capital, he doesn't put
18 up any of the capital and he doesn't take the risk,
19 that \$60,000 unit will require a minimum of \$60,000
20 in capital, but the tenant isn't putting that up.
21 Someone must put that up and it must be done by way
22 of an investment, and that investment will -- to
23 attract that money that investment must be equal
24 to any other investment available to that individual
25 who is contemplating putting up that kind of money.



1 Now, it can be put up by way of a
2 financial institution or an individual, but regardless
3 of who puts up that money there is a cost to the use
4 of that money. If you look at the cost of that
5 money, that money today will cost approximately 10
6 per cent, 10 per cent of \$60,000 annually is \$6,000
7 a year or \$500 a month. That is the major cost of
8 the dwelling unit.

9 The other major cost, I am going
10 to use round figures, it will vary within \$10 or
11 \$20 depending on the municipality, but the other
12 large cost of the dwelling unit is municipal taxes.
13 Municipal taxes run approximately \$1,200 annually
14 for that unit, \$100 a month. Now you have five,
15 another hundred, \$600 a month.

16 In addition to that you have your
17 energy costs and energy costs are going to heat,
18 hydro, will run close to \$100 a month. That is
19 \$700 a month. Then you have got operating and
20 maintenance costs. The operating and maintenance
21 costs will run another \$100 a month.

22 So for that typical unit we have got
23 \$800 a month and there is no profit in there for the
24 builder-developer. There is a return on investment
25 if he puts up the money at the rate of 10 per cent.



1 I suggest that the rate of 10 per cent is not all
2 that high relative to other investments and relative
3 to the risk. That investor could put money into the
4 bond market or the stock market and probably just
5 invest it into government bonds and get a return.
6 There is a risk factor today in putting money into
7 new apartment buildings.

8 The risk factor is the vacancy rate.
9 Those of us who are investing in new apartment
10 buildings today, are concerned that we will reach a
11 vacancy rate of 3 to 5 per cent.

12 Now what does that do to us? The
13 reason we are afraid of that vacancy rate is that
14 is an average vacancy rate. That is the vacancy
15 rate average over all apartment units in a given
16 community, but the vacancy rate that occurs does not
17 occur in all projects because of rent control, because
18 we have buildings that are under rent control where
19 there are depressed rents. Those buildings will
20 always remain filled. It is the new buildings that
21 will carry the total vacancy rate so that if we
22 reach a recession such as we have seen in the past
23 and I have seen it, I have had buildings, new buildings
24 with a 25 to 50 per cent vacancy rate compared to
25 other buildings that we have that were built prior



Toronto, Ontario

1 to '75 that were under rent control with no vacancy
2 rate.

3 So there is a great risk factor
4 to anyone who is attempting to build new apartments
5 today. That risk factor and the fear is that we will
6 reach a 3 to 5 per cent vacancy rate and that vacancy
7 rate will be concentrated in the new projects because
8 of the depressed rents in older projects.

9 The other thing that Bill 51 does do
10 is it provides a subsidy at government and landlord
11 expense to all of the tenants. I have seen figures
12 produced, I think you have -- you probably have them,
13 there were surveys done that were perhaps only 20
14 per cent of present tenants require subsidies. We
15 recognize that, but the other 80 per cent do not
16 require a subsidy at the expense of the taxpayers and
17 the landlords.

18 The other factor that we must consider
19 that Bill 51 is not doing is it will not provide
20 for the future development of multiple apartment sites.
21 I don't know, as I say. We look at Toronto as an
22 island unto itself, but if you go into the communities
23 in our area, Kitchener, Waterloo, Cambridge, Guelph,
24 you will find that all of these sites that were
25 previously planned in new developments for multiple



Toronto, Ontario

1 buildings have been taken out. They have been used
2 up, but because of rent control, because of Bill 51
3 there is not a developer in our area that is planning
4 any multiple sites.

5 I have looked at a number of draft
6 plans in our area and there are absolutely no multiple
7 sites being provided for and that lead time is at
8 least five years. All of the multiple sites have
9 been used up and none are being provided for.

10 The other problem because of rent
11 control you are now faced with a position where you
12 must provide subsidized monies for bricks and mortar.
13 When you do that you must set deadlines and when you
14 set deadlines then you will now find from here on
15 in that all of those who want to participate will be
16 out bidding for those few sites that are available.
17 I see that now. We haven't driven up the price
18 of multiple land because there are so few sites,
19 so many going after it, we are now competing, the
20 private sector is now competing in our area with non-
21 profit groups, co-op groups. We are even competing
22 with our regional governments and municipal governments.
23 Regional government is now competing with the
24 municipal government, everyone going after a very
25 few sites and simply because we must meet that deadline



1 that was set when you have to provide these programs
2 to get apartments built.

3 A lot of these organizations,
4 municipal governments, municipal government -- regional
5 governments -- are coming forward now under the
6 funds provided for non-profit housing. To me non-
7 profit housing is a bit of a smokescreen. What is
8 non-profit housing? What profit has been eliminated?
9 Has the profit of the land developer been eliminated?
10 Has the profit of the builder been eliminated? Has
11 the profit of the architect been eliminated? Has
12 the profit of the engineer been eliminated? Has the
13 profit of the tradesmen been eliminated? Has the
14 profit of the carpenter, the plumber, the electrician,
15 has that been eliminated? What profit does non-
16 profit housing eliminate?

17 The fear now is municipal and regional
18 governments coming into the market will drive out the
19 private sector so I think you will find from here on
20 in if we continue with rent control, rental housing
21 will have to be provided 100 per cent at the expense
22 of the government.

23 What can we do to overcome these
24 problems? I would suggest that as soon as Bill 51
25 is passed in fact as recommended by the Rental Review



1 Committee then we should immediately start on a
2 program to phase out rent controls outside of
3 Toronto. I think it is possible to start phasing
4 out rent controls in certain municipalities, in
5 certain cities. I think you will find that then
6 if there is a return on equity or return on invest-
7 ment compensating the risk you will find more new
8 rental units being built. You will find that the
9 new rental units will also provide an alternative to
10 compete with existing single family which price has
11 been driven up astronomically in the last couple
12 of years and one of the reasons is there is no rental
13 housing to compete with single family housing and
14 the lack of apartments has put a greater pressure on
15 the price of existing housing.

16 The phasing out of rent controls will
17 produce the vacancies that you require, provide the
18 mobility of a tenant, because what it will do, is
19 it will then -- 80 per cent of those residents that do
20 not need subsidies will not be provided with a
21 subsidy and they will make their own way out into
22 the marketplace leaving some vacancies for the low
23 income group that need assistance.

24 The only reason to build apartments
25 today is for the return on investment. In the past



1 we had a lot of different schemes and programs which
2 provided rental housing. They all involved tax
3 incentives. There are no tax incentives available
4 to rental housing today. At one time, you know,
5 there was a high capital cost allowance. There was
6 the MURB plan which provided relaxation of personal
7 income tax rates. All of that has gone by the board now
8 and the capital cost allowance for rental apartments
9 is very low, so that the only reason you are going
10 to get apartments built is by providing an investment
11 return equal to the funds provided and the risk
12 factor.

13 Now as I said there are 80 per cent
14 of our tenants -- 20 per cent of our tenants that
15 do require assistance. I think that that assistance
16 should be provided to welfare allowance, an income
17 supplement plan, but I know that there are varying
18 opinions as to what the cost of that will be, but
19 I think it is worth an experiment and that could
20 be introduced. You wouldn't have to introduce that
21 universally across the province. You could introduce
22 that kind of a program in various communities
23 throughout Ontario. Leave Toronto until last.
24 Toronto has special problems that the rest of us
25 do not have and I know that the public is in favour



1 of rent control, but I think if the public knew the
2 true cost of rent control they would not be so much
3 in favour of rent control and I think the way to
4 get around that is to let the public know the true
5 cost of rent controls and perhaps the municipalities
6 should share in the development and the cost of
7 providing rental housing. Right now I think the
8 province is putting up 40 per cent, the federal govern-
9 ment is putting up 60 per cent of the cost of
10 subsidized bricks and mortar. Perhaps the province
11 should put up 20 per cent and the municipalities
12 put up 20 per cent. The true costs will come home
13 to the grass roots of our communities or you could
14 give instead of giving the municipalities funds
15 through subsidized bricks and mortar, they could be
16 given funds and let the municipalities decide who
17 gets the assistance.

18 That will get home to the rank and
19 file of the taxpayers as the true cost of rental
20 housing. You could give them the choice of the funds
21 for subsidizing bricks and mortar or give them the
22 choice of using funds to subsidize those people,
23 only those who need the assistance, but all of these
24 ideas are only temporary until rent controls are
25 phased out 100 per cent. Thank you.



THE CHAIRMAN: Thank you, Mr. Freure.

There are a couple of questions from members.

Mrs. Caplan first.

MRS. CAPLAN: Let me say at the outset I reject your request that immediately after the Bill be implemented that rent review be phased out. Having said that I would like to address how in your view you could have the kind of tenant protection which this Bill addresses? Would you then immediately begin to phase out rent control and rent review in a situation where you have inadequate supply and the market situation where the supply is so understated given the demands that are there that you would not have the kind of gouging that would require active government intervention?

MR. FREURE: I don't know that there is that much gouging going on in the cities such as we operate in. The greatest protection the tenants have is mobility, a surplus of rental units and that surplus can be created by the vacancy rates, increasing existing vacancy rates and new buildings. That is the greatest protection the tenant would have. Let the free marketplace function.

MRS. CAPLAN: What do you do until you have a vacancy rate? This Bill will protect



1 tenants against gouging while you get on to the
2 supply problem.

3 MR. FREURE: That is why I am suggest-
4 ing, you phase it out. Don't try to do it all at
5 one time. There are areas in our communities that
6 really don't need rent controls at the present time.
7 Experiment, come up with different programs, but
8 phase it out. I am suggesting you phase it out over
9 a period of time in certain municipalities.

10 MRS. CAPLAN: So you would not
11 recommend any process for ensuring that there was
12 protection against ...

13 MR. FREURE: Yes, I think the tenant--
14 we could still have a system whereby a tenant could
15 be given protection against indiscriminate landlords.

16 MRS. CAPLAN: You would say that this
17 Bill in the balance that it brings forward offers
18 tenants that protection at this time?

19 MR. FREURE: Oh, sure.

20 MRS. CAPLAN: Thank you.

21 THE CHAIRMAN: Mr. Gordon.

22 MR. GORDON: That was a very interest-
23 ing presentation you made. You made it very clear
24 to us as a developer-builder that this Bill does
25 not mean that we will have more housing built in



1 Ontario, more apartment units in Ontario built by
2 the private sector. I mean you have clearly shown
3 us that at this time it is virtually impossible
4 for a private developer to move in that direction,
5 but at the same time you have told us that by
6 extending rent controls to all buildings you view
7 this as damage control.

8 I wonder if you might expand on that
9 and explain how you say that since it is extending
10 rent controls to all units and means the developers
11 are not going to build any more.

12 MR. FREURE: We would prefer no
13 rent control, but we know that the government has
14 committed itself to rent control. The problem we
15 face is the uncertainty. We don't know what it is
16 going to entail yet. Until Bill 51 is passed we
17 have no idea what we are going to be faced with.
18 There is the other uncertainty that the industry
19 is frightened of, and when I speak of the industry
20 I am speaking of the lending institutions that we go
21 to to fund our projects. They are frightened also.
22 They are not only frightened of Bill 51 but we
23 are frightened of what legislation will be passed
24 in the future affecting the development of new
25 rental controls. We have seen what happened to



1 buildings that were built prior to 1975 and a lot
2 of owners of those buildings that had invested in those
3 buildings and especially some of our older residents
4 who invested in the buildings as a retirement plan
5 it has been wiped out.

6 THE CHAIRMAN: Thank you, Mr. Gordon.
7 Mrs. Smith.

8 MRS. SMITH: Just very briefly. I am
9 surprised to hear you take such a strong position on
10 the fact that the Bill makes it prohibitive for
11 people to build. In fact, the committee that
12 recommended the guidelines here was 50 per cent
13 landlords who drew up the Bill with the opposite
14 in mind and we had many landlords and developers
15 and representatives, management representatives
16 of developers who have said that indeed that this
17 Bill does represent an offer that will keep them
18 in the market or draw them into the market.

19 We had very recently in Ottawa Minto,
20 one of the very biggest developers made that
21 statement. I am also interested if you have a
22 community that has a shortage of housing and a
23 drastic shortage of sites it seems to me have
24 little to do with the Bill because you would still
25 have the shortage of sites with or without rent



1 control. I don't know how that ties in.

2 MR. FREURE: We don't have a shortage
3 in our communities of single family sites. There
4 is plenty of sites on the market ...

5 MRS. SMITH: So there would be sites?

6 MR. FREURE: Single family, not
7 sites for multiple dwellings, not sites for rental.

8 MRS. SMITH: What has that got to
9 do with the Bill?

10 MR. FREURE: The fear of the Bill, the
11 fear of rent control has induced the developers of
12 land to provide only single family sites.

13 MRS. SMITH: So you are talking again
14 about what they will build rather than sites?

15 MR. FREURE: Well, you see, there
16 are many phases of our industry. There are those
17 people who develop land and they don't build.

18 MRS. SMITH: I understand that.

19 MR. GORDON: I bet you do.

20 MR. JACKSON: We don't.

21 MR. FREURE: There isn't a market
22 for multiple building sites so they don't develop
23 them. There is no market for multiple building sites.

24 MRS. SMITH: So the site problem
25 will be resolved if in fact the builders who come in



1 front of us tell us they are willing to go into
2 the market, they will find the sites if in fact they
3 exist?

4 MR. FREURE: I don't think they
5 are going to be developing sites because the market
6 for multiple sites will only be available for
7 subsidized projects. The only project ...

8 MRS. SMITH: That is an opinion.

9 MR. JACKSON: No, I would say ...

10 MR. GORDON: Let him give his views.

11 THE CHAIRMAN: Let Mrs. Smith finish.

12 MR. GORDON: Why don't you let the
13 person who comes before this Committee give his
14 views instead of being browbeaten? You are the
15 Chairman.

16 THE CHAIRMAN: I don't think the
17 witness is being browbeaten at all.

18 MR. GORDON: I do.

19 THE CHAIRMAN: Is there anything
20 else you would like to add?

21 MR. FREURE: No.

22 MR. CORDIANO: Dealing with this
23 Bill will give you a greater degree of certainty.
24 My conservative friends are inclined ...

25 MR. REVILLE: I don't have any



1 conservative friends.

2 MR. CORDIANO: You suggest this
3 will not result in any new building development.
4 Insisting nothing will take place in the marketplace
5 in terms of new construction. What, in your opinion,
6 will change that?

7 MR. FREURE: The elimination of
8 rent control.

9 MR. CORDIANO: Thank you.

10 THE CHAIRMAN: Can we make this the
11 final question, Mr. Jackson?

12 MR. JACKSON: Thank you, Mr. Chairman.
13 I wanted to concur with the premise of the involve-
14 ment of the municipalities. The community I come
15 from, Burlington, we had a non-profit housing applica-
16 tion where they threw themselves at the mercy of the
17 local council to waive all the developers' surcharges
18 and the lot levies as the only means by which they
19 could provide the housing in direct competition with
20 private interests in the community who were ready
21 to build on the site and then the Minister rejected
22 the application even with the subsidy built in by
23 the City.

24 So it is a growing trend. I think we
25 have had four cases of that in my community in the



1 last six months alone and we are still not building
2 even when the municipality takes the subsidy.

3 So I want to echo your concerns that
4 even though you are saying it would probably go to the
5 municipal sector we are even finding with taxpayers
6 subsidizing it like that we are still not getting
7 support from the provincial government to get the
8 balance of the funding. So it is a dangerous trend
9 for municipalities to start to get into and this lack
10 of supply crisis is going to get worse. I want to
11 thank you for bringing that point to the Committee.

12 THE CHAIRMAN: Thank you, Mr. Jackson.
13 Mr. Freure, thank you very much for appearing before
14 the Committee. You stimulated some discussion. I
15 did say at the beginning it is an all party committee
16 so we do have the occasional exchange.

17 MR. FREURE: I didn't know what
18 colour tie to wear today, red or blue, so I wore
19 multicoloured.

20 THE CHAIRMAN: Thank you very much.
21 When I was introducing members of the committee,
22 Jim Gordon my good friend at the far right was not yet
23 here and he is the member from Sudbury.

24 The next presentation is from
25 Mr. Pantaleo. Is Mr. Pantaleo here? Mr. Pantaleo,



1 welcome to the Committee.

2 MR. PANTALEO: Thank you very much.
3 for having me here.

4 THE CHAIRMAN: Is this your
5 presentation on behalf of Hayhurst Village?

6 MR. PANTALEO: Hayhurst Village
7 Apartments, yes.

8 THE CHAIRMAN: Please proceed.

9 MR. PANTALEO: The chap before me
10 took a lot of my thunder. I don't know what else
11 to say, but I have to concur with him. Rent controls
12 have not created any apartments. It is a well known
13 fact it never has and never will. This has been
14 proven in New York and England. As a matter of fact
15 in England they are selling, County Councils are being
16 sold off by the Councilmen. They are offering them
17 to the people for \$6,000 and they worth about \$40,000
18 or \$50,000 -- £6,000 and they are worth about £40,000
19 or £50,000 on the open market. That is how desperate
20 the municipalities are to get out of rental units.

21 So what I was trying to get at is
22 like Ontario Housing and anything the government gets
23 into involved in rental units it would cost them
24 far, far more than the private sector. As a matter
25 of fact the previous speaker mentioned the fact that



1 the architect and the lawyers and plumbers and
2 electricians have to make a profit. I didn't think
3 anybody made profits anymore, at least it is a
4 dirty word when it comes to being a builder. Our
5 politicians haven't learned from the mistakes of
6 the other people that have gone before. Rent controls
7 have created a shortage of rental units. Our children,
8 our senior citizens are finding it impossible to
9 find affordable or any kind of apartments. These
10 controls have created poorly kept units and build-
11 ings because the landlord cannot afford to keep them
12 up. It stands to reason two plus equals four.
13 If money coming in is less than money going out then
14 something is going to suffer, obviously
15 apartment buildings.
16 You could ask anyone who owns a house, if you own
17 a house yourself, you know what it costs to keep it
18 up and maintain it and most of the work you do your-
19 selves and you haven't got vandalism. I own, or we
20 own 148 suites which at present are not under
21 rent control. We built it because we were gullible
22 enough to believe the government's promise that we
23 would not be controlled. So much for faith in its
24 honesty and integrity. Now we are told "Okay,
25 sucker, we have got you and you are going under



1 control." This to me is abominable, but when I
2 read that I get very angry. At present we are
3 renting to seniors and pensioners at up to \$110 a month
4 below the regular rental rate. If rent registry is
5 forced upon us it would mean that we would have to
6 rent the same units at bargain rates to people who
7 may not deserve or need the subsidy.

8 Is this just or fair to people
9 who have put so much into providing rental units?

10 We became a member of Fair Rental
11 because we are concerned. I came here today to plead
12 for some semblance of good judgment and honesty.
13 Housing is a necessity we are told. So is food,
14 clothing, et cetera. Are these other industries
15 going to be subsidized now? Bill 51 is a start,
16 not the greatest, but possibly a move in the right
17 direction. We could accept Bill 51 as the first
18 step. It would possibly allow builders or investors
19 some return on their equity so new buildings might
20 be put up. I can't say that builders will. I know
21 they want to, but they would have to have more
22 confidence and faith in the government.

23 The rental situation is acute. Now
24 the private sector is being called upon to rectify
25 the situation, or the taxpayers will have to pay



1 dearly. If tenants of apartment builders must be
2 subsidized our government should grant the suppliers
3 of rental units a guaranteed cash flow. This would
4 prevent the continuing deterioration and creation
5 of slum apartments.

6 I am personally fed up. I know I am
7 a good landlord and a bloody good one at that but
8 under rent control I would have to lower my standards.
9 I don't think I could live under these conditions and
10 I would have to lower my standards.

11 THE CHAIRMAN: Thank you,
12 Mr. Pantaleo. Mr. Bernier?

13 MR. BERNIER: Just one comment in
14 passing. I note in the second page of your brief
15 you say you could accept Bill 51. It may allow a
16 builder some return on his equity. You may see some
17 new buildings going up. Is that waffling? Why
18 do you waffle? Why don't you come out and say
19 are against Bill 51 and say it? Waffling around like
20 the previous speaker makes us uncertain because
21 people around this table accept those comments as
22 you are accepting Bill 51.

23 MR. PANTALEO: I don't like
24 dictatorship of any kind. I proved that 45 years
25 ago. I am decorated. I get a pension. That gives
 me a pension per month which is a profit. Do you want



1 to take that away from me also? What I am trying
2 to get at is dictatorship is a foul, dirty word and
3 you are giving it to us now in this rent control and
4 you have not succeeded in accomplishing anything
5 except creating slums. No, I don't like 51.

6 MR. BERNIER: Good.

7 MR. PANTALEO: But by God I would
8 rather have it than the 4 per cent when it costs me
9 8 per cent to keep my apartments going. It costs me
10 more than 8 per cent because I am not under rent control
11 and I kept my building up. When I heard that they
12 were going to put me under rent control, break their
13 word to me, the government, when I heard that I let
14 my apartment go last year. Then I got kind of annoyed
15 at myself and I couldn't live with myself the way the
16 building was going downhill. It cost me \$60,000 this
17 spring to bring it back up to shape again and I have
18 got -- if you want to come down I will show you my
19 books. It cost me \$60,000 this year to bring those
20 apartments because I let them go downhill for a year.

21 So if I do that and every other
22 landlord does that you are going to have slums like
23 you have now, but you will never -- you won't believe
24 what you are going to get. Go over to England and
25 see some of the slums they had over there before they



1 took it off.

2 MR. BERNIER: We know France is
3 moving out of rent controls on a phased-out
4 basis. I suppose if you had your choice would you
5 want Bill 51 or not?

6 MR. PANTALEO: If I had my choice
7 I would rather be left alone the way I was before.

8 MR. BERNIER: Without control?

9 MR. PANTALEO: Without any control,
10 but if it is going to be forced on me, well, let's
11 take a -- anyway, I am very angry.

12 MR. BERNIER: I know and rightly so.

13 THE CHAIRMAN: Mr. Jackson.

14 MR. JACKSON: Mr. Pantaleo, could
15 you tell me you have looked at the Bill from the point
16 of view or consulted someone about the Bill from the
17 point of view of its impact on your building?

18 MR. PANTALEO: Well, it gives me a
19 chance if I want to be a good landlord, it gives me
20 a chance to recoup some of my money.

21 MR. JACKSON: I want to get a handle
22 on its impact on your rents.

23 MR. PANTALEO: The impact on my rents,
24 they may have to go up from the 4 per cent, but at
25 least I have a fighting chance of getting a decent



1 not profit -- I know that is a dirty word and I
2 shouldn't say that --

3 MR. JACKSON: A return?

4 MR. PANTALEO: It gives me a decent
5 return.

6 MR. JACKSON: My question, sir, is
7 have you looked at it actuarially? Have you looked
8 at it financially?

9 MR. PANTALEO: I don't understand it.

10 MR. JACKSON: We are having difficulty
11 understanding the Bill. So you haven't really
12 determined whether or not, for example, the fact that
13 you are a post-75 building, that your rents may
14 already be too high given market conditions and may
15 be rolled back since there is provision in the Bill
16 for that, or are your rents noticeably under the
17 market rents and therefore you will experience an
18 increase? I am not just ...

19 MR. PANTALEO: I will have to roll
20 back.

21 MR. JACKSON: I am sorry?

22 MR. PANTALEO: I may have to roll
23 back unless I go before the Board to bring it up
24 because I have costs to prove my -- I charge 6 per
25 cent per annum even though I was not under rent



1 control, but my seniors went on 8 per cent every two
2 years. That is why they are lagging behind. That
3 is how they come back.

4 MR. JACKSON: You had a differentiated
5 rent?

6 MR. PANTALEO: For the seniors of
7 course.

8 MR. JACKSON: I am glad that is on
9 record because we had cases where several landlords
10 had made those judgments ...

11 MR. PANTALEO: If the rent control
12 comes in and the rent registry I am going to suffer
13 and it is unjust.

14 MR. JACKSON: I don't think you will
15 suffer with respect to rent equalization because those
16 seniors' rents will have to go up marginally higher
17 than the rest of the building. You will end up
18 with a total of the same dollars but the seniors'
19 rents will have to come up so all units in the build-
20 ing of comparable size will be ...

21 MR. PANTALEO: I didn't want the seniors'
22 to come up. I am happy where they are, but what I am
23 worried about is when they leave me. I don't want
24 the seniors to suffer. I am a senior myself. I get
25 a pension too. I shouldn't mention that, you might



1 want to take that away. No, I am a senior citizen
2 myself. I have a good relationship with my tenants.
3 They are good. Some of them look after their little
4 plot in front of their property and we have a good
5 relationship. I don't want their rent to go up by
6 equalization but when they go out if something happens
7 to them and they move out or die or they go into a
8 nursing home or something, I want to charge the next
9 tenant the equalization rent.

10 MR. JACKSON: Do you realize that
11 under the Bill the tenants paying the marginally higher
12 rent or the non-senior rent, if I can call it that,
13 they can specifically themselves trigger the equaliza-
14 tion under this Bill? You may be powerless to inter-
15 cede. The fact that tenants paying in the same units
16 who aren't seniors can under this Bill request the
17 seniors down the hall must pay more?

18 MR. PANTALEO: They can't do that to me
19 because my costs will not permit me to bring their
20 rents down. My cost ...

21 MR. JACKSON: I am sorry, but you
22 are left with the total dollars, same dollars. Instead
23 of a \$200 unit for a senior and a \$240 unit for a
24 non-senior, both units will go to \$220.

25 MR. PANTALEO: That is unjust.



1 MR. REVILLE: It is also not
2 correct.

3 THE CHAIRMAN: I think it is not fair
4 to leave the witness with that impression.

5 MR. PANTALEO: I believe. I understand
6 what he means. That would be unjust. Why should the
7 seniors have to pay more money?

8 HON. ALVIN CURLING: Let me clarify
9 this because I think what Mr. Jackson is leading to
10 is incorrect. There are when the rent registry
11 comes into place, there are maximum rents that can be
12 charged. The registry will show you what rents can
13 be charged. You don't necessarily have to charge the
14 tenant the maximum rent. If someone is paying under
15 that maximum legal rent and leaves you have to charge,
16 to use a specific number, if the maximum rent is \$500
17 and you were charging this tenant that you have a good
18 relationship with \$450, you can move it right up and
19 you did not charge \$500 in the first year and let's
20 say the increase was in the next year \$50 to \$550
21 you can move that rent up to \$550 because you are
22 still within that legal rent.

23 MR. PANTALEO: Why have the rent
24 registry then?

25 HON. ALVIN CURLING: To show you what is



1 the maximum legal rent that could be charged.

2 MR. PANTALEO: So each apartment
3 building would have one rent in the registry, 540,
4 640 or whatever the rent would be?

5 HON. ALVIN CURLING: Whatever the
6 maximum legal rent to be charged would be placed
7 in that registry.

8 THE CHAIRMAN: Okay, Mr. Jackson?

9 MR. PANTALEO: I am still not happy.
10 I don't like -- as I said, if the government wants
11 to be my partner then let them put half the money in.
12 Then they can dictate to me the terms of my rent.

13 MR. JACKSON: Mr. Chairman, if
14 the Housing Minister was making an attempt to correct
15 the premise I was posing to the witness I don't think
16 he achieved that. We were talking about one tenant
17 triggering an increase for another tenant under
18 equalization provisions of this legislation and if
19 the Minister wants to take a second attempt at it,
20 fine, but I wouldn't want him to leave on the record
21 that my premise was wrong.

22 Both rents will go up but they will
23 go up at a differential rate. I implied perhaps
24 that the person paying the higher rent would get a
25 discount and achieve a negative rent. Nobody is going



1 achieve that under equalization. The senior citizen
2 might get a 10 per cent increase and the person who
3 wasn't enjoying that under my example may only pay
4 4 or 5 per cent but that is how equalization would
5 work, and you, sir, would not be the one who could
6 decide whether or not you have equalization as long
7 as there are tenants in the building who don't wish
8 the seniors to have the rent at your pleasure and that
9 is the point I was making, and that is the way it
10 has been explained to us.

11 THE CHAIRMAN: Let's take this ...

12 MR. PANTALEO: They have got some
13 bad tenants as well as some bad landlords.

14 THE CHAIRMAN: Let's take this out
15 of the political arena for a moment. Mr. Peters,
16 would you like to express your views on this?

17 MR. LAFFERTY: My understanding
18 is Mr. Jackson is referring to the procedure under
19 section 91(4) where a tenant can make an application
20 on his own individual unit claiming that he had higher
21 rents than other rents in the building.

22 MR JACKSON: I can't hear you.

23 MR. LAFFERTY: My understanding is
24 that Mr. Jackson is referring to the provision in
25 section 91(4) where a tenant can make an application



1 with regard to his own unit claiming that he was paying
2 more than was paid on similar units within the complex.

3 MR. JACKSON: Correct. In the
4 case in this instance it is the tenant in this
5 gentleman's building who through the rent registry
6 discovers he is passing on a compassionate allowance
7 for senior citizens. He has now discovered it and now
8 what happens?

9 MR. LAFFERTY: Well, there are two
10 things that could happen. One of which would simply
11 be that the tenant's application would go forward
12 to rent review and this is, by the way, the same as
13 the current Act and the rent review would then
14 consider whether or not that particular unit was above
15 or below those on equivalent units and if they found
16 in favour of the tenant could reduce the rent on that
17 particular unit.

18 MR. JACKSON: With the resulting
19 increase with the co-terminus unit?

20 MR. LAFFERTY: Not the way 91(4)
21 is written. In order for it to affect any of the
22 other units in the building there would have to be
23 a landlord application in response to the tenant's
24 application under 91(6) asking for the equalization
25 of the entire building. When the landlord did so,



1 he would be making that application which would
2 consider the matters set out in section 79 and the
3 landlord might in fact propose a rent schedule
4 based on the seniors in his complex having lower
5 rents and might put that forward to the Minister as
6 a consideration with regard to equalization.

7 As you see sub(2) in the second
8 part of 79(1) asks the Minister to consider the varia-
9 tions and reasons therefor in the rents being charged
10 by the landlord. So that these are the kinds of
11 considerations the Minister can take into account
12 and it would not follow with any certainty that the
13 result would be that there would be equal rents
14 charged in those units. The argument may be accepted
15 but in this particular case the discount being
16 given seniors was an acceptable and understandable
17 policy of the landlord and the landlord's rent
18 schedule would be allowed to stand in terms of the
19 way the legislation is written now.

20 MR. PANTALEO: There is no guarantee
21 of that, though?

22 MR. LAFFERTY: Not under the
23 legislation. The matter of exactly how the further
24 direction would be given to the Minister is a
25 hearing board which is something under consideration



1 in the drafting of the regulations.

2 MR. JACKSON: Just so I understand
3 that. When a given tenant challenges that section
4 and files an application and is successful then
5 it falls upon the landlord that either you --

6 MR. LAFFERTY: Not exactly. If
7 the tenant makes an application-- if we look at
8 91(6) on page 42 it says:

9 "Where the tenant makes an applica-
10 tion under subsection 1 on the
11 ground set out in paragraph (1)
12 of subsection(4) (which has to do
13 with his rent being higher than
14 other units) the landlord, may not
15 later than 30 days from the day
16 the tenant's application was
17 filed, make an application to the
18 Minister under subsection 81(1)."

19 So, in other words, as soon as the landlord in
20 question were to discover the application had been
21 made he would have a period of time in which he could
22 consider making a counter application of his own and
23 if he was concerned that his rent base might be
24 eroded if the tenant application were to go forward
25 and be considered as an individual unit then he would



1 make an application under subsection 81(1) which calls
2 for a whole building review.

3 MR. JACKSON: These happen
4 simultaneously. I am trying to see if there is a
5 way to determine whether there was a form of rent
6 rollback or it was deemed to be too high and then
7 the landlord has to -- where a tenant has made
8 application they happen simultaneously.

9 MR. LAFFERTY: It is not simultaneous.
10 The tenant makes the initial application.

11 MR. JACKSON: Okay, but there is no
12 judgment. When you say a tenant makes an application
13 that just puts the request into the process.

14 MR. LAFFERTY: That is correct.

15 MR. JACKSON: I am trying to determine
16 if there has been a determination made.

17 MR. LAFFERTY: No. The landlord has
18 30 days to react ...

19 MR. JACKSON: So they do in effect
20 happen simultaneously. No decision has been made.
21 I mean the landlord...

22 MR. LAFFERTY: It happens within
23 30 days.

24 MR. JACKSON: The landlord doesn't
25 have any knowledge if the application by the tenant



1 is going to stand.

2 MR. LAFFERTY: He will get a notice
3 of that application.

4 MR. JACKSON: All right. I will
5 have to pursue it with you privately because you
6 are not making this clear.

7 THE CHAIRMAN: Mr. Gordon.

8 MR. GORDON: Would it be fair to
9 say, sir, that the reason why yourself and other
10 developers have embraced Bill 51 despite the fact
11 that you don't like it is because the government
12 first announced they were going to bring in a 4 per
13 cent guide on rents and that of course this while
14 it is not to your liking is better than 4 per cent?

15 MR. PANTALEO: Four per cent wasn't
16 enough. My taxes went up last year 8 per cent. My
17 Hydro bill went up 11 per cent. So how can you
18 operate on 4 per cent? It is impossible. Four
19 per cent increase is impossible when your costs are
20 going up. All my ...

21 MR. GORDON: Sort of like the stick
22 and the carrot.

23 MR. PANTALEO: Yes, sure. Four per cent
24 is idiotical. You can't do it.

25 THE CHAIRMAN: A final question I



1 suggest, Mrs. Caplan.

2 MRS. CAPLAN: Listening to your
3 presentation I just wanted to see -- we know we
4 are dealing here with a Bill which was brought to
5 us by a committee of landlords and tenants who sat
6 down and developed what has been referred to as a
7 balance which was fair to landlords and fair to
8 tenants...

9 MR. JACKSON: And a miracle.

10 MRS. CAPLAN: Your presentation,
11 what I have heard from you is you think this is
12 too fair to the tenants and the balance really
13 has been tipped in favour of tenant protection.
14 However, you can live with it because it would give
15 you some certainty and it is better than the
16 existing regime which you find unworkable?

17 MR. PANTALEO: That is about it and
18 I don't know why the tenants deserve any protection.
19 They didn't put any money in my building. But
20 anyway I would accept 51 rather than the 4 per cent
21 because ...

22 MR. JACKSON: You get more money.
23 You stated that.

24 MR. PANTALEO: I hope.

25 MRS. CAPLAN: You think this is



1 too fair to the tenants, too much tenant protection?

2 MR. PANTALEO: Too much tenant
3 protection, yes.

4 MRS. CAPLAN: But you can live with
5 it?

6 MR. PANTALEO: I can if I have to,
7 but I don't want to.

8 MR. BERNIER: Say you don't want to,
9 say it loud and clear.

10 MR. PANTALEO: If you are put in
11 jail you have to stay there, don't you?

12 THE CHAIRMAN: Thank you,
13 Mrs. Caplan. Mr. Pantaleo, thank you for your
14 assistance.

15 Another day in the life of the
16 travelling committee members. The next is
17 Mr. Vogel. Which is the correct pronunciation,
18 Mr. Fogel or Mr. Vogel?

19 MR. VOGEL: Vogel. V-o-g-e-l.

20 THE CHAIRMAN: Your presentation
21 is being distributed to members of the committee.
22 Proceed if you will.

23 MR. VOGEL: I am a member of the
24 KW Apartment Owners Association and also a supporting
25 member of the Fair Rental Policy Organization. My



1 brief does not really touch details on Bill 51. It
2 actually is meant to make an appeal to the honourable
3 members of the committee to use common sense and
4 logic in order to arrive at decisions and not
5 band-aids.

6 Now for this one I will start out
7 with definitions. I am a professional engineer
8 by trade. I am retired and I was trained before we
9 tackle any problems we have to define the subject
10 as properly as possible.

11 Now we are talking for instance
12 and I hear it all the time, tenants. Is that a
13 homogenous group? Are they all the same? Are
14 there rich tenants, are there poor tenants? Who
15 are we looking after? Who do we want to protect
16 or who does the government want to protect? I
17 think the rich tenants can look after themselves,
18 but the poor ones cannot and this is a society
19 problem which I don't think can be dealt with even
20 under Bill 51 because we are talking housing and
21 the landlords on their own cannot solve it.

22 Then we are talking landlords, again
23 one group. Landlords are perceived by definition
24 that they are rich because they own property. That
25 is very far from the truth. There are a sizeable



1 number of small landlords who coincidentally
2 are their own tenants even and therefore they put
3 their savings into this rental accommodation and
4 they are cheated out of a decent return on their
5 investment. I will come to that point after.

6 I am one of those. I don't live there but how I
7 got cheated out.

8 We have a third definition and I
9 heard that before and that is affordable housing.
10 I think that defies any definition because what
11 is housing costs? It is an economical fact and
12 we can't get away from it. It just simply is
13 financing or building the unit which -- let's use
14 an example -- let's say two apartment units cost
15 to build \$60,000. In order to carry a 10 per cent
16 return you can't buy a mortgage for 10 per cent but
17 I am using 10 per cent for simplification, \$6,000
18 a year or \$500 to pay for the return on that
19 \$60,000 investment. Add another \$150, \$200 for
20 running that unit, you are ending up with a \$700
21 apartment.

22 Now you can't get away from it. It
23 is \$700. That is what it costs. It is the same
24 as the cost of food. Is it affordable? How can
25 we make affordable the cost of food? Tell the farmer



1 to grow it for less money and get him out of business
2 and then we have no food.

3 The same thing has
4 happened in our industry. We have no apartments.

5 I read in the Sunday Star of
6 September 7, 1986 and it says:

7 "Bill 51 a gravy train for
8 landlords angry tenants said."

9 Later I found out it was from the first meeting
10 you had in Toronto, but a little incident came
11 through my mind instantly and that goes back
12 to 1946 when I still was a German citizen and I
13 was a works manager, appointed works manager at a
14 branch plant in Northern Germany and my first
15 task was to get the roads repaired, the bomb craters
16 removed, et cetera. I hired a contractor and we
17 came up with a price and they did it. In the middle
18 of that repair one of the three members of that
19 contracting party and I found out he was a card
20 carrying member of the Communist party in between
21 I found that out, he came to me and he said to me
22 "Rudy, we must have made a mistake in our estimates
23 because we can't make ends meet." So jokingly I
24 said to him "Sorry, sir, you must be really thrilled
25 about it because you can't set up a bank account and



1 if your buddies from the east come to the west it
2 saves you the trouble to divide it up amongst your
3 buddies." He didn't like that very much, but then
4 I started to attack him about concentration camps
5 in the east and treatment of people and he came up
6 with a truth in quotation marks. He said "You know,
7 communism equals progress for mankind and any body
8 of society who keeps his society members from
9 progressing is an enemy of society and has to be
10 dealt with."

11 Now I want to come to my point. If
12 you do accept a base as the truth then everything that
13 builds up on it becomes logical and that is what
14 we are talking here about landlords. Again I said
15 landlords are usually perceived to be rich people
16 because they own things. Landlords are treated
17 well and if they are not treated well by the tenants
18 because they are gouging, if they are not treated
19 well they can be treated better, but is it really so?

20 I would say no, because landlords
21 have lost their rights to contract. Now if any
22 one of the tenants who has employment couldn't
23 contract with his employer any more about wages
24 they would be up in arms. If I contract with my
25 tenant anything it is illegal. Why have I lost that



1 right? Am I a Canadian citizen? I think so. At
2 least I can prove it on paper and I have the same
3 rights as anybody else. I am severely -- landlords
4 are severely restricted how to manage their property
5 under the Landlord and Tenant Act. It is loaded
6 against the landlords.

7 I will give you only one example.
8 I had a tenant who was repairing cars in the parking
9 lot and he was using my electricity to run his
10 machines. I complained to the tenancy commission
11 about it and they said, "Sorry, this guy contracted
12 electricity from you and what he does with it is
13 none of your business." Now he used my electricity
14 for personal gain and I can't do anything about it?

15 Now, three, landlords are subjected
16 to a low or no return on their investment. I come
17 to my point later. I will prove it to you. They
18 are subjected to restrictions on their investment.
19 I can't even put legally a mortgage on my property
20 and use that mortgage the way I want to use it. You
21 tell me if I put it back in, then you will recognize
22 the expenses. That is a case of discrimination and
23 I wouldn't know if that is not discrimination how
24 do you define discrimination? I wish the honourable
25 members should keep this discrimination in mind when



1 dealing with the amendments to Bill 51.

2 I do a little bit of history.

3 1975 I say was the year government declared war on
4 landlords or was it really necessary? Now Toronto
5 at that time showed a dynamic growth and ran short
6 of apartments and some landlords used that situation
7 for substantial gains which was wrong. The rest
8 of the province had an ample supply of rental units
9 and in my case the Kitchener-Waterloo area had a
10 high vacancy rate. I bought the building in
11 1974. It caused rents to drop to an uneconomically
12 low level. Rather than restrain some landlords in
13 Toronto the whole rental industry was declared the
14 enemy and the government has won all the battles.

15 But it has lost the war. What has
16 happened? A severe shortage of rental units across
17 the province, very little or no building activity
18 of rental structures. Tenants lost their freedom of
19 choice. There are no apartments on the market to
20 choose from. Poor tenants cannot secure apartments
21 period. They just can't compete with the other tenants.
22 The taxpayers pay millions of dollars required to
23 keep their rent control monster alive. This is
24 wasted money, desperately needed to build apartments.
25 Landlords are legislated into financial slavery.



1 Historically depressed rents. There
2 is discrimination. What happened to our cherished
3 democratic ideals? Well-heeled tenants with an
4 allowance of historically 25 per cent of income has
5 dropped to the teens. Who have we protected? Poor
6 tenants' cost of shelter consumes up to, and I read
7 that in the Hansard of the first meeting, 80
8 per cent of income. Now that is a shame that people
9 are subject to that kind of treatment and the
10 inclusion of post-76 buildings under rent control
11 has killed the last incentive to get investors
12 into the rental market.

13 The above results were predictable.

14 It is well documented that communist society received
15 meagre results by denying incentive to individuals and
16 our democratic government has over the years followed
17 the communist pattern and has succeeded in eliminating
18 all incentives to invest money in housing.

19 The answer to getting out of this
20 mess and restart the rental building industry
21 is obvious: re-introduce incentives. Bill 51
22 shows a promise in this direction, but it neglects
23 to address the long term goal to gradually re-
24 establish incentives to meet market conditions.

25 Bill 51 is damage control as our outfit



1
2 in Toronto who used to say to suffer the
3 erosion of the industry but it does not provide
4 the green light at the end of the tunnel or the
5 desperately required dynamic start of rental
6 building activity.

7 Now, obviously the war is still
8 going on and I quote from the Hansard of July 3,
9 1986. One of the members of Parliament said:

10 "It is clear that one can make
11 the odd nickel renting property." That is the end
12 of the quote. The gentleman hit the nail on the
13 head. The odd nickel return on existing properties
14 is a reason for the missing rental building activity
15 and for the odd nickel return there would be no
16 MPPs in Queen's Park. I am sure of that.

17 There are more quotes in the above
18 Hansard continuing the old kick the landlord games,
19 but it is not the time for political Brownie points.
20 The situation is much too severe to waste energy
21 on petty rhetoric. Let us reply logic and common
22 sense to find solutions.

23 Now I am making proposals here.
24 Bill 51 does not solve the plight of poor tenants and
25 I propose solutions. Increase the shelter allowance



1 for the poor. This is a society and in brackets
2 government problem and landlords will do their share
3 as anybody else like any good citizen.

4 Two: Create conditions that
5 more rental housing will be built by the public
6 sector. And I make another point here, kick the
7 well-heeled tenant out of public housing. You will
8 find quite a number of them who have prospered in the
9 meantime and they are still in public housing and
10 the poor ones can't get in.

11 Then I say as a last resort, build
12 subsidized housing. Why do I say it is a last
13 resort? One should be sensitive to the feelings
14 of these poor tenant groups and not put them into
15 ghettos. I have seen those ghettos in Toronto
16 and they can still be seen today.

17 Now, Bill 51 also does not address
18 the cost of construction and taxes resulting in
19 high rents. An estimate required by the government and
20 in this area the government only can demonstrate
21 that they really mean business. No. 1, lower
22 the exceptionally high taxes on rental housing.
23 My tenants pay 25 per cent of their rent in
24 municipal taxes. Eliminate sales and excise taxes
25 on material for new rental building in order to get



1 that \$60,000 figure down.

2 Now this may be a temporary measure
3 in order to get that business going again that we
4 have a good supply of housing on hand and then
5 it can be re-introduced but in the meantime it would
6 give us in the industry a chance to supply lower
7 rental buildings which are closer to the acceptable
8 market conditions if we drop that temporarily or
9 for good.

10 No. 3, and the unions don't like to
11 hear that, open the trades without adverse effects
12 to the apartment builder to union and non-union labour.
13 I want to add a point to that one.

14 I built my house two years ago and
15 I was the electrician. I was the plumber and I was
16 the carpenter. My work was inspected later by the
17 City inspector and passed with flying colours. Was
18 I worth \$25 an hour, not just for putting copper
19 piping in or putting a string of wire? It could
20 be done for less money if that trade -- if the
21 builders have a chance to shop around for this
22 type of labour.

23 Now, I come to my history. I
24 bought that property in 1974. There was no rent
25 control and there was a free market so nobody can



1 blame me for walking blindfolded into a situation
2 which I can't cope with. As I said before the
3 vacancy rate in the KW area was high and as a good
4 businessman, rather than having an empty building
5 I charged rents at cost in order to cover my costs
6 and the government in its wisdom in 1975 said "This
7 is your base rent of year one." Okay, I got stuck
8 with it, so I went to the rent review application
9 in 1981 and the low rent was not lifted to market
10 rent because I made one mistake in 1974 which I
11 couldn't foresee. Instead of getting a mortgage
12 I put my money into the building, but rent review
13 does not even mention owners' equity except the 15
14 per cent. They don't mention owners' equity and
15 consequently if I had my money in it I have no
16 financing expenses.

17 So consequently my rents equal
18 expenses out of pocket. Consequently my rent is
19 still low. I don't know how the government ever
20 ended up with this, I call it funny bookkeeping
21 or accounting. If interest and principal is an
22 expense, then all my accounting experience is
23 wrong because principal payment is a gain, that is
24 not an expense.

25 So if we apply proper accounting



1 again I think we may end up with a solution.

2 I asked myself for the last 11
3 years the question why am I and other landlords
4 forced to employ their capital free of charge to the
5 tenants? Is there any justification in a democratic
6 society for this kind of discrimination? But I
7 must say the war is still going on. In the hand-out
8 of July 3, I read the remark of :

9 "The fiction of depressed buildings..."
10 This is not a true statement. That is fishing for
11 Brownie points and I shall refrain from further
12 comments.

13 Now Bill 51 has a depressed building
14 formula and I hope that from there will come some
15 justification that my rents and others will be lifted
16 up to market rents.

17 Now before I am finished here it
18 just occurred to my mind I want to make a remark.
19 The rent registry is a witch hunt maybe of landlords
20 who have sneaked up the rent a little bit here or
21 there. Is there any compensation for all those
22 11 years I lost rental income due to government
23 action in Bill 51? I don't really expect it. I
24 am just asking that question to put that on the
25 record.



1 Now I want to make my summary
2 remarks to the honourable members of the Standing
3 Committee. Landlords in my brief I said are neither
4 thieves and I apologize for the mistake, it is a
5 printing error. I didn't see it immediately, nor
6 exploiters. I want to retract that expression. We
7 are in the business of supplying a service for a fee
8 and if there is no fee there is no service. That
9 is a common sense expectation. If the members
10 expect a fee for services to this society, what
11 is a just fee for the landlord's service? I think
12 it is very simple.

13 The return you as members expect
14 from your investment is obviously the just fee.
15 Where do we find solutions to our present rental
16 dilemma? I suggest we more study the rental market
17 history prior to '75. We had a competitive rental
18 market serving all tenants, rich as well as the
19 poor ones. If we re-establish gradually the pre-75
20 market conditions including the incentives then our
21 rental problems I can bet will fade away.

22 I think that is all I have to
23 say and I thank you very much for your attention.

24 THE CHAIRMAN: Thank you,
25 Mr. Vogel. Any questions from members of the Committee?



1 The members of the Committee are
2 suffering . . . time pressures as we are running a
3 little behind here. I appreciate very much your
4 presentation, Mr. Vogel.

5 MR. VOGEL: Thank you.

6 THE CHAIRMAN: The Committee has
7 been joined by Mr. Herb Epp, from Waterloo North.
8 Thank you, Mr. Epp.

9 The next presentation is from Mr.
10 Dennis Halsall. Is that close enough to the correct
11 pronunciation?

12 MR. HALSALL: Yes, thank you.

13 THE CHAIRMAN: Thank you. Welcome
14 to the Committee, Mr. Halsall.

15 MR. HALSALL: Thank you, Mr.
16 Chairman, Housing Minister and honoured Committee
17 members and guests, ladies and gentlemen.

18 I'm speaking on behalf of myself
19 and also as President of the Landlord Association
20 in Sarnia. I wanted to make a few comments before
21 my presentation just from what I have heard before
22 in Sarnia. Sarnia has right now a high vacancy
23 rate and it really lets me see what it would be like
24 under market conditions if rent controls weren't
25 there. I have been in the business for six years
and two years ago, I heard of more rent controls
coming in. I believe it was '85, September, 1985
maybe, and at that time -- before that time, I had



1 not raised my rents at all the first four years,
2 but when I heard that we might be limited to so
3 much percent, that is the first time I raised six
4 of my units six percent, because I felt from that
5 point on I had better watch out or I am going to
6 get caught.

7 Sarnia, in the last year, two years,
8 I have talked to many landlords and I have done it
9 myself, lowered rents because we're in competition
10 there right now; it is true the later apartments
11 have the highest vacancies, but even the pre-'76's
12 we are in competition in Sarnia right now and we
13 are afraid to raise our rates because we have too
14 many vacancies now. It works. Market, free
15 enterprise works. Ontario has never been in such
16 a mess with its rental housing, an understatement.
17 It is very obvious rent controls have been the cause.
18 We are not the first to experience catastrophe under
19 rent controls. We should have learned from Boston, Britain
20 and/or New York City. Rent controls have kept the
21 private sector out of our business. 95 percent of
22 the units built since 1975 have been subsidized.
23 Half the units needed aren't being built. The
24 government can't do it all. They don't have the
25 money. Why anyone would want to make this
situation worse, I don't know. Why anyone would
want to to tighten a stranglehold on a faltering
industry is very sadistic. However, it is life.



1 Bill 51 was brought in during a
2 period of weakness in our government, so let's make
3 the best of the situation. It has been long overdue
4 that landlords and tenants negotiate their
5 differences. The government
6 Advisory Committee of Landlords and Tenants has
7 been very successful, even though the landlords
8 had few chips to deal with. For these negotiations
9 to be successful in the future I believe, it is
10 necessary for Bill 51 to be amended to stick to
11 the Advisory Committee's suggestions, agreements.
12 Otherwise, we are looking at another Thom
13 Commission with no credibility for the future. If
14 I were in the government's shoes, I would take this
15 as an opportunity to let landlords and tenants
16 solve their own problems. The title of landlord
17 or land baron, I believe, is inappropriate for
18 today's owner. We are in a service industry and
19 until we treat our clients or tenants with proper
20 service, proper respect, we deserve all the flak
21 we are getting, and the landlord, in many cases, is
22 not providing minimal maintenance. The tenants
23 should have the right of minimal maintenance
24 standards.

25 Right now, tenants' and landlords'
needs are threatening their very existence. There
must be a fair system worked out. Our landlord



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3 association in Sarnia has been supporting the Fair
4 Rental Policy Organization of Ontario which has
5 been directly involved with the government Advisory
6 Committee. Together we believe we will help
7 develop a fair rental policy for Ontario. The
8 City of Sarnia established a Landlord-Tenant
9 Bureau four months ago which is a direct result of
10 the success of the government Landlord-Tenant
11 Advisory Committee. The fairness of our business
12 has been long overdue on both sides. I don't think
13 it is fair that rental units be treated differently
14 because they were built before or after 1976.
15 Obviously, it was expedient at the time to entice
16 new development at the expense of the old. It
17 seems every ten years our government wants a new
18 batch of high rentals. Is that fair that we make
19 criminals out of our landlords that haven't even
20 seen Bill 51, much less understand it? Is it fair
21 to further subsidize middle and upper class
22 renters and to ignore the real need of the lower
23 class? Let's keep it fair or else we will all
24 lose. Thank you.

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THE CHAIRMAN: Thank you. Do you
mind for a minute, I think Mrs. Smith has a
question to ask.



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MRS. SMITH: Mr. Halsall, I find your presentation rather interesting. This is not the first place where we have been where, in fact, there isn't a shortage of housing.

Thunder Bay presented somewhat the same presentation.

MR. HALSALL: I've heard of one or two others.

MRS. SMITH: Basically, interestingly enough, listening to your presentation, I felt that most of the changes -- positions you took were positions that have been striven for in this Bill. We have a situation -- we have had ten years of rent control, as you know, that has created this shortage in most places, as you know, which has indeed put landlords and tenants on a different level rather than an even level. This Bill, in effect, has been written by putting landlords and tenants down talking together again on an equal level and has corrected many of the very things that you decry, the unevenness of treatment before and after '76, the lack of maintenance standards, and several other things. Given the present situation we have in most of Ontario, would you think that this particular landlord and tenant group



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3 has made a reasonable and commendable effort here
4 that should get us into a better situation?

5 MR. HALSALL: I guess I have been
6 President for two years and before that we had been
7 involved in a lot of landlord/tenant adversarial
8 situations, from what I have heard and, really, I
9 came from the restaurant business and that is a
10 service business and this business is the same way
11 and I am enjoying it and I am successful at it
12 because I serve my clientele and I want to continue
13 doing that, but it is all on a fair basis. We
14 have to -- it can't work out if one is getting more
15 than the other. I think, restating it, it is long
16 overdue that we get down and talk together. The group in
17 Toronto, the fair rental policy organization, is
18 very -- we look up to them. I think all of the
19 communities across Ontario, they are very professional,
20 a good cross-section of our industry and apparently
21 right now, they just took up the load of our plight
22 here with rent controls and Bill 77. This spring
23 we are going to have elections and this group is
24 going to be continuing until we get a fair policy
25 and it is not an overnight -- it is not a fly-by-
night -- we are going to be here seriously wanting
to help the situation. I want to stay in this



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3 business.

4 MRS. SMITH: I get the general
5 impression both landlords and tenants by sitting
6 down together in this RRAC Committee have come to
7 appreciate each other's positions. I guess you are
8 saying they form a kind of link and they see
9 the need for decent maintenance and equality of
10 treatment. I think it is interesting, one of the
11 aspects of the Bill is new and it affects someone like
12 you in a lower area and the fact that rather than a
13 set rent there is an allowable rent so that if you
14 hit a bad time and your rent goes to a depressed
15 unfairly low level it doesn't get stuck down there.
16 The allowable rent remains the same.

17 MR. HALSALL: it is very easy for us -- we are
18 all against rent controls back here unless there are
19 tenants ...

20 MRS. SMITH: There are some
21 tenants ...

22 MR. HALSALL: Yes, but we have been
23 under the gun here lately and we are trying to make
24 the best of the situation and we want to continue the
25 negotiations. That is why it is very important
that amendments be made to Bill 51 so that in good
faith, not like the Thom Commission, we really ...



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MRS. SMITH: This is the problem I have. You are talking about compromise, staying together and working it out. This is a Bill that was worked out by landlords and tenants. One thing that has come to us is the strong recommendation that they did the bargaining. They don't want us to tamper and don't want us making a lot of amendments because they have discussed it and done all of this, and then you come forward and you say you think it is a good bill, but we should amend it. In whose favour?

MR. HALSALL: As I understand it and that Bill is almost as big as the Landlord and Tenant Act, and from my understanding the Bill isn't word-for-word of the Landlord and Tenant Advisory Committee Agreement.

MRS. SMITH: It is close enough to what it was.

MR. HALSALL: The Fair Rental Policy Organization is very concerned that it is not and that is why I am here today to make -- to propose that we stick very close to that and again I don't know politics. I don't know what you are up against.

MRS. SMITH: Stick close to which?



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3 MR. HALSALL: To the agreement of
4 the landlords and tenants. If they come up with an
5 agreement and Bill 51 is not an exact duplicate, we
6 are not looking for an exact duplicate but very close
7 so that in the future we can come up with agreements
8 that will be taken by the government and enforced.

9 MRS. SMITH: So in fact then you
10 are worried about the amendments, most of which are
11 technical that the government is going to put forward.
12 You would like us to stick with the Bill?

13 MR. HALSALL: Stick with the agree-
14 ment, not the Bill. The Bill again needs to come
15 closer to the agreement of the committee.

16 THE CHAIRMAN: Thank you. Mr.
17 Jackson?

18 MR. JACKSON: Mr. Halsall, you made
19 reference earlier to being "under the gun". Do you
20 recall what that reference was to?

21 MR. HALSALL: Definitely. I
22 mentioned that the landlords were working with few
23 chips when they went into the bargaining with tenants
24 on the Advisory Committee. Again, the NDP-Liberal
25 accord, you know, was going to be law. We have
really had a lot of give and take and we were under
the gun and they made the best of the situation.



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3 MR. JACKSON: Rosemary Speirs in
4 an article made reference to that concept with the NDP
5 in the driver's seat the landlords could have
6 been harmed a whole lot more. You say you accept
7 this situation because it could have been a lot
8 worse.

9 MR. HALSALL: Of course we would
10 have expected it voting in who we did but again it is
11 good faith on the part of -- I don't know how much
12 the Minister had to do with that but I congratulate
13 him on achieving that.

14 MR. REVILLE: The only good guy in
15 the lot!

16 MR. JACKSON: My final question is
17 in various areas of the province where we have heard
18 the reference to vacancy rate and a reduction in
19 rents as a free market condition where rents would
20 drop in response to over-supply, do you feel that
21 this committee or the Ontario Legislature should be
22 considering some framework for the regional disman-
23 tling of rent controls perhaps tied to vacancy rate
24 which will further entrench the concept of competitive
25 market selection because certainly elements of this
Bill will continue? I mean, there has been a
tremendous evolution to tenants' rights and tenants'



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3 protection. That has occurred separate from the
4 financial protection and in no way are we going to be
5 rolling back the legal rights of the tenants but
6 in some way financial advantages will come back upon
7 them. Would you support that kind of concept for
8 the Sarnia area we are talking about in particular?

9 MR. HALSALL: Again we are all part
10 of Ontario and I really wouldn't want to speak again
11 of a rent-free zone, of course, but I don't want --
12 London is wanting to talk about this, surely we are
13 wanting to talk about this, but we have reached cer-
14 tain goals with the present government and until the
15 present government changes I think we had better let
16 it lie where it is, with them. I think they have
17 really in good faith come this far in our agreement
18 with the tenants and I really wouldn't want to touch
19 that with an amendment like that. When you get into
20 power that is a different story.

21 MRS. SMITH: Do you think we will do
22 more for the landlord?

23 THE CHAIRMAN: Okay, Mr. Jackson?

24 MR. JACKSON: Thank you.

25 THE CHAIRMAN: Mrs. Caplan.

MRS. CAPLAN: I want to make sure
I have clearly heard what was said about the



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3 amendment. The RRAC Committee, tenants and land-
4 lords who have an agreement, the Minister of Housing
5 is going to be proposing some amendments to this Bill
6 to make sure the agreement stands. Do you support
7 this Bill with those amendments but no others that
8 would change the agreement of the RRAC Committee, is
9 that correct?

10 MR. HALSALL: That is correct.

11 THE CHAIRMAN: Mr. Reville?

12 MR. REVILLE: On the remote chance
13 words may have just been shoved into your mouth there,
14 it seems to me one of the things your organization has
15 been concerned about are the changes that the govern-
16 ment did make to the section on chronically depressed
17 rents which is not reflected in the RRAC Agreement at
18 all. Is that one of the concerns you had?

19 MR. HALSALL: I didn't mention it
20 here but it is a concern of our Fair Rental Policy
21 Group, yes.

22 MR. REVILLE: As far as I can tell
23 from listening to most of the people from your
24 organization they haven't identified very many areas
25 in which the Bill is different from the RRAC Agree-
ment but that was one of them certainly, the
limitations on who it is that can apply for a



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3 chronically depressed rent relief was one of them they
4 mentioned but some of the members of the RRAC Com-
5 mittee have expressed dissatisfaction with this be-
6 cause the government hasn't delivered on other parts
7 of the agreement such as 3,000 additional rental
8 units and they are coming a little later this after-
noon around three o'clock.

9 MRS. CAPLAN: Is that part of the
10 Bill, are we writing that in now?

11 MR. REVILLE: I hope it will be
12 written into the Bill later on, maybe about three
13 thirty.

14 THE CHAIRMAN: If there are no other
15 questions, thank you, Mr. Halsall.

16 HON. ALVIN CURLING: Thank you, Mr.
Halsall.

17 THE CHAIRMAN: The next presentation
18 is from the London-St. Thomas Real Estate Board, Ann
19 Pascoe.

Ms Pascoe, welcome to the committee.

20 MS PASCOE: Do I just proceed and
21 read my brief?

22 THE CHAIRMAN: If you are ready.

23 MS PASCOE: The London and St.
24 Thomas Real Estate Board is appreciative of this
25 opportunity to present a brief to your Committee



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3 both in its own right and as a supporting member of
4 the Fair Rental Policy Organization of Ontario.

5 The jurisdictional area of this
6 Board covers principally Middlesex County and Elgin
7 County. Its present membership totals over 1075
8 members. Its Multiple Listing System over the past
9 two years has listed approximately 19,000 properties
10 and has sold some 12,000 or more of such properties
11 for an amount ranging in the neighbourhood of \$1
12 billion. These figures will give some indication
13 of the membership and will give an indication of the
14 numbers of the voting public who deal with our mem-
15 bers.

16 The Board has been opposed to rent
17 controls since its inception. This delegation
18 wishes to support the detailed submissions and argu-
19 ments presented by those who are more directly affec-
20 ted and who are highly qualified to give the specifics
21 in the disastrous results of rent controls.

22 The Board itself is opposed to
23 government controls over free enterprise and its ef-
24 fect on the economy because such limitations are
25 contrary to all the principles and freedoms on which
Canada's venture capital economy has prospered. Our
members realize that personal initiative and hard work



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3 to turn risks into success has not appeared to have
4 received support of government and do not believe
5 that such successful ventures should be stifled by
6 restrictive laws.

7 One excuse which is used for the
8 existence of rent controls is that such controls are
9 helping the tenants who truly require assistance.
10 Our industry supports the concept that needy tenants
11 require assistance as a social policy. The cost of
12 this social policy should be borne by society as a
13 whole and not by one particular industry.

14 It is recognized that there are and
15 always will be cases of true hardship. Surely not
16 all 400,000 plus apartment dwellers in Ontario fall
17 into this category. The true hardship cases can be
18 dealt with selectively as pointed out below.

19 By dismantling this unnecessary govern-
20 ment regulatory body the savings in costs to the
21 government can be applied to the increasing welfare
22 payments to the true hardship cases that require
23 assistance.

24 It is our position the tenants should
25 have adequate housing and a reasonable choice of
housing. Rent controls have the effect of re-
stricting choice by restricting development of



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3 apartment buildings.

4 In the early 1970's there was an
5 adequate housing stock when there were no controls.
6 Now there exists unacceptable vacancy levels that
7 CHMC reports in many cases are less than one per cent
8 and in some cases approaching zero. This is wrong.
9 Adequate housing stock for future family formations
10 is not being provided. Abolishing rent controls
11 will encourage new competition, new development and
12 new choices for tenants present and future.

13 Your Standing Committee is reminded
14 that British Columbia and New Brunswick have abolished
15 rent controls. Our National Association advises
16 that although such abolition is new in New Brunswick,
17 it has been in effect in B.C. for three years result-
18 ing in five per cent increases in 1985 and two per
19 cent increases in 1986.

20 Surely by now the government of
21 Oetario must recognize that newspaper after newspaper
22 editorials call for its abolition. Listen to their
23 voices which have been abbreviated:

24 Brantford Expositor - "Rent controls
25 have deterred developers from investing in apartment
units, thus creating the accommodation shortage."

Brampton Times - "The Housing



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3 Minister should phase out rent
4 controls and let the private sector
5 be leaders in rental construction."

6 Mississauga News - "We need the best
7 possible deal for tenants and land-
8 lords."

9 St. Catharines Standard - "State-
10 subsidized housing is an old socialis-
11 tic ideal but it's only going to make
12 matters worse, not better."

13 Globe & Mail - "Government will not
14 concede that the best reform would
15 be to phase out rent controls grad-
16 ually -- and encourage the market to
17 supply new units to meet an over-
18 whelmingly frustrated demand."

19 Hamilton Spectator - So now we have
20 a shortage that's hurting the whole
21 Province -- and a new plan to spend
22 hundreds of millions of dollars to
23 do a job that the private market could
24 do at no cost to the taxpayer."

25 The additional newspapers supporting
removal of rent controls were The London Free Press,
Kitchener Waterloo Record, Sarnia Observer, Orillia
Packet and Times, Lindsay Post, The Ottawa Citizen,



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3 The Oshawa Times, The North Bay Nugget and Thunder
4 Bay Times-News.

5 The Government has repeatedly stated
6 its concern with unemployment. The Board has
7 been reliably informed that one contractor erected
8 two apartment buildings side by side in the City of
9 London which has and is resulting in employment of a
10 minimum of 300 labourers, tradesmen, plus many local
11 suppliers. Construction is a major employer in
12 any community and it is an industry that cannot be
13 imported from any other country. The future
14 activity of this nature is doubtful under existing
15 or proposed rent controls because new construction
16 will come under rent control and become unattractive
17 for investment purposes.

18 In conclusion, the London and St.
19 Thomas Real Estate Board urges this Committee and the
20 Government to take a serious long-term look at the
21 economy instead of a possible look at short-term
22 results for election purposes. End rent controls!

23 THE CHAIRMAN: Thank you for your
24 presentation. Any questions by members of the
25 Committee? If not, thank you very much for your
presentation. We appreciate it.

The next presentation is from the



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London Property Management Association, Kathy Paliwoda. Is Kathy Paliwoda here?

MS PALIWODA: My name is Kathy Paliwoda and I am President of the London Property Management Association.

First off, what I propose to do is give you a little bit of an idea of what the London Property Management Association is all about. It is an association of rental property owners and managers, both large and small from London and surrounding areas. Again it is a little difficult because we have different opinions and share different views...

A SPEAKER: I can't hear a thing.

MS PALIWODA: Well ...

MS SMITH: Pick up the microphone.

MS PALIWODA: The major portion of our membership have become and will continue to be members of the Fair Rental Policy Organization of Ontario and as such the London Property Management Association support their position with respect to Bill 51.

The London Property Management Association supports passing of legislation, i.e.



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3 Bill 51, provided that our government makes
4 several amendments to Bill 51 so that it conforms
5 truly to reflect the recommendations of the Rental
6 Housing Advisory Committee Agreement dated April 18,
7 1986.

8 Our Association feels that when the
9 Honourable Alvin Curling, Minister of Housing,
10 announced that a Rent Review Advisory Committee was
11 being formed representing the interests of both
12 landlords and tenants in Ontario it was a first step
13 towards the government attempting to stabilize un-
14 certainties without our rental industry. The mere
15 fact that landlords and tenants would be given the
16 opportunity to have extensive input into legislation
17 which would significantly affect both parties in
18 Ontario for some time to come was the start of a
19 return of confidence within our industry. It may
20 be viewed as a small srt but nonetheless, a start.

21 The Housing Minister assured the Rent
22 Review Advisory Committee that it (the Committee)
23 would be involved and continue to be involved in
24 developing guidelines and regulations in the imple-
25 mentation of the new legislation.

To ignore the report of the members
of the Rent Review Advisory Committee would result in

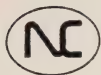


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3 a further setback in regaining confidence within
4 the rental housing industry. It would cause
5 valuable ground in resolving our rental housing crisis
6 to be lost and only serve to bring the rental housing
7 problems closer to the brink of disaster.

8 We ask then why? If the Committee
9 stresses to our Housing Minister that the recommenda-
10 tions which were made by them should be viewed as a
11 total package, why would anybody attempt to undo
12 that package?

13 Our members of London Property Manage-
14 ment Association view Bill 51 as being a stop-gap,
15 a short-term solution to our rental housing problems.
16 But if amended to reflect the recommendations of the
17 Rent Review Advisory Committee it will be viewed as
18 a starting point, a possible light at the end of a
19 very dark tunnel, a possible end to some of our
20 industry's problems. It could be a base to build
21 on and with the continued commitment and support
22 by our government to recognize the recommendations
23 being made by the Rent Review Advisory Committee it
24 could be the first step out of our housing crisis.

25 Historically rent controls have been
ineffective at resolving long-term problems within
the housing industry. When controls were introduced



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3 in 1975 they were introduced as a short-term solution
4 to aid tenants during hard economic times. It is
5 now 1986 and rent controls are not only still in place
6 but are being extended to all rental units -- some-
7 thing landlords thought would never happen. Some
8 of our members feel that it is another promise broken.
9 They want to know why anyone would want to question
the lack of confidence within our industry.

10 Why has the government turned to
11 regulating all units as a solution to the problem?
12 We have been told that it is due to the severe supply
13 and affordability problem facing tenants of Ontario.
14 We are under the impression that that is what rent
15 controls were supposed to protect tenants from in the
16 first place. We as an Association agree there
17 is a supply and affordability problem in Ontario and
18 we agree the residential rental sector is facing
19 a crisis, but we fail to see how any of the solutions
20 proposed will address these problems. Isn't it
21 a point in case in itself that the problems controls
22 were supposed to solve 11 years ago have not been
solved?

23 Rent controls have been an ineffec-
24 tive solution to Ontario's rental housing crisis.
25 So why are we extending those same controls? Does



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3 our government think that an ineffective solution to
4 the problem will suddenly become the solution to the
5 problem? Tenants are crying for affordable rental
6 housing units. We find it interesting that the
7 government feels that the responsibility of society
8 as a whole to look after those in need should come to
9 rest on one industry -- that being ours.

10 We recommend that the government help
11 those in need of assistance directly by offering
12 help to those that need it through income supplements
13 or housing subsidies, not by further suppressing
14 private sector investors and scaring off potential
15 private sector investors due to the implementation
16 of more stringent controls.

17 Let the free market system operate.
18 Create competition amongst developers and landlords
19 to give back their confidence in our government.
20 Our members remember a time when building was booming
21 and all of us were competing for tenants -- the
22 incentives. We remember the incentives.

23 In my introduction, I stated that the
24 London Property Management Association is comprised
25 of landlords both large and small. I have assured
our members that this submission would reflect all
our concerns and views and in fulfilling that promise



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3 I would like to now share with you the very real
4 concerns of our small landlords in Ontario.

5 There is a myth or misconception about
6 who the landlords in this province really are. They
7 are not all large developers or multi-million dollar
8 corporations but rather the majority of Ontario's
9 rental stock is owned by what we call our "ma and pa"
10 operators. These are people who do not understand
11 the complexity of this proposed new legislation.
12 What these landlords do understand is that they are
13 unable to continue to survive in such a changing
14 and uncertain market. The fear of not under-
15 standing and being penalized for that lack of under-
16 standing is a real fear amongst small landlords.
17 The question is asked of me quite often and that is
18 "Who will help me understand? Who will guide me
19 through the changing legislation?" Their invest-
20 ments are becoming a nightmare of complexity. They
21 want out and are getting out. A steady stream of
22 units are being lost from our rental stock due to
23 this very reason. Landlords can be criticized
24 for getting out and removing more units from the
25 already short supply but is it unfair to protect
your investment dollars? In most cases our "ma
and pa" operations, to them it is the life savings



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3 they have invested in, their future or their retire-
4 ment plans. Our small landlord in Ontario is
5 very concerned about the changes he will be facing.
6 Many of them have come out to our meetings and sup-
7 ported Fair Rental Policy Organization of Ontario in
8 an attempt to protect their investment to see some
9 light at the end of the tunnel. This light being at
10 this point Bill 51.

11 Many of the small landlords I have
12 spoken to express concerns about our country. A
13 great many of these landlords are of ethnic origin
14 and came to Canada because it was a country that
15 allowed them to get ahead. The opportunity was there
16 under the free enterprise system but now many of them
17 are selling out and leaving our industry with a very
18 bad taste in their mouths about our government. They
19 don't think it is fair that they worked in some cases
20 two jobs to purchase an income property to now see
21 their future at the whim of any government. Most
22 of them arrived in Canada with only very little and
23 they do not understand why they should now have to
24 subsidize the tenants of Ontario and they are no
25 longer prepared to do that. I am sure these views
are shared by many small landlords in Ontario but due
to language barriers, and the fear of appearing



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3 foolish coming to hearings such as this one today,
4 they will remain silent and hope that those that can
5 will carry their message to your committee. I hope
6 that I have accomplished that for them here today.

7 In summary of my submission, I would
8 like to impress upon this committee here today to
9 legislate a new rent review policy for Ontario but
10 legislate one that recognizes the recommendations
11 of the Rent Review Advisory Committee and the Fair
12 Rental Policy Organization of Ontario. Don't let
13 the Housing Ministry go back on its word to let
14 the landlords and tenants of Ontario be involved in
15 the final formulation of any legislation that will
16 affect them.

17 THE CHAIRMAN: Thank you.

18 MR. CURRIE: Mr. Chairman, Hon. Mr.
19 Curling, members of the Committee, ladies and
20 gentlemen, my name is Jim Currie. I am a property
21 manager with Concept: Properties and have been
22 involved in the housing industry in the London area
23 for approximately 16 years. This is a joint
24 submission and I am speaking on behalf of myself and
25 on behalf of the London Property Management Association.
I am a past-President of that association
also.



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3 I wish to thank you for the opportu-
4 nity of being allowed to speak before the Committee
5 and express our views as they pertain to Bill 51.
6 I meant to say first that I am basically in favour
7 of Bill 51 as is our association.

8 At the outset, I would like to commend
9 our Housing Minister, Mr. Curling, for bringing together
10 the tenants, the landlords and government officials,
11 and trying to reach a compromise with regard to this
12 Bill. It hasn't been done before and we recommend it.

13 Never before in our industry have
14 representatives of tenants, landlords and government
15 officials been asked to sit down and draw up an
16 agreement that is basically satisfactory to all
17 parties. The representatives on the Rental Housing
18 Advisory Committee spent numerous hours of their own
19 time lobbying for change in specific areas and as
20 many hours in committee meetings trying to reach a
21 compromise on key issues. However, a compromise
22 has been reached and although there will be pressure
23 for further change from many interested parties, I
24 feel that Bill 51 should be passed with as little
25 change as possible. A major change to any part
of this Bill will undoubtedly create an imbalance
to the compromise reached by the Rental Housing



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3 Advisory Committee.

4 My next area of concern is the
5 ongoing problem of the supply of affordable housing
6 or lack of supply and how it affects the tenants
7 of this province, particularly those tenants with
8 an affordability problem. I feel it should be the
9 role of the Government of Ontario to ensure that the
10 future housing requirements of Ontario's tenants
11 are met, and are met at an affordable price. That
12 means first and foremost a growing and improved
13 rental housing stock. If rent controls are to
14 deal directly with the issue of affordability,
15 that is, for those with modest incomes, then they
16 must also be designed to stimulate the housing
17 industry to generate a growing and an improved ren-
18 tal housing stock. At present, rent controls are
19 producing shortages and a general deterioration in
20 the quality of rental housing. The reason for
21 this situation is because present rent controls are
22 little more than a government imposed hidden tax
23 and transfer system channelling money from landlords
24 to tenants. They inevitably reduce the incentive
25 for developers to build new rental units or in
some cases to maintain their buildings in top
condition.



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3 Another reason that some buildings are
4 not maintained under our present rent control system
5 is because of the ever-increasing maintenance and
6 operating costs and the complexities of rent review
7 hearings.

8 I speak of complexity to our smaller
9 landlord, mother and father, ma and pa situations
10 where they are honestly unable to understand the situation
11 In a lot of situations they are afraid to speak up
12 or even come to speak before a committee such as
13 we have today.

14 The public knows that rent controls
15 are bad for builders and developers. They know that
16 our industry can't get enough return on investment
17 to justify construction of new rental buildings.
18 The public knows that rent controls are chiefly res-
19 ponsible for critically low vacancy rates, and there-
20 fore, may be bad for anyone unfortunate enough to be
21 part of the present and future markets for those new
22 apartments that are not being built. The public
23 knows the major cause of the problem is the high cost
24 of building rental units and the gap that exists
25 between the return on investments under a system of
rent controls and the return that can be earned on
alternate investments. Unfortunately, the public



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3 does not care. Builders, developers, and the
4 housing industry in general, through its various
5 associations, has continually zeroed in on the supply
6 shortage. A number of expert witnesses have
7 testified at the Thom Inquiry, to the validity of
8 this case. However, the problem of supply still
9 exists.

10 There are several reasons for this.
11 First, rental control supporters are anchored by a
12 huge block of tenants in controlled buildings. They
13 know they have a bargain and don't particularly care
14 that the burden of supporting that bargain falls on
15 someone else.

16 Second, homeowners see themselves as
17 disinterested third parties, with no direct side in
18 either side of the debate. But if they have to
19 pick a side, they will go along with the tenants,
20 whom they view as deprived underdogs fighting against
21 greedy landlords. Besides, what interest have
22 they in the construction of new apartment buildings,
23 which they believe will clog up the streets with
24 extra traffic, and reduce property values?

25 Third, renters believe, and rightly
so, the presence of rent controls helps to hold down
their own rents.



Homeowners and renters alike, need to be shown as taxpayers they must all shoulder the enormous cost of government programs aimed at stimulating rental construction. In country after country, and city after city, the long-term experience with rent controls has always been the same. As the gap between controlled rents and the return on alternative investments widens, new construction of rental units comes to a standstill. There is also ample evidence to show that rent controls can hurt most those they were originally intended to help. In an expanding rental market there is a natural tendency for many individuals and families to move up to newer, better and more expensive housing over time. As the population drifts upwards a steady supply of affordable housing for those with modest income is assured. But under rent controls, where people are reluctant to move out of controlled buildings, the pressure builds at the bottom end of the market. No one wants to pay the penalty for moving out of a rent-controlled apartment. People with an affordability problem, the people that need modestly priced rental accommodation, are left out in the cold.

These are the same people that needed



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3 reasonably priced accommodation 10 years ago when rent
4 controls were initiated. The system has not worked.

5 The availability of affordable housing
6 for low income families is a serious and growing
7 problem. Society as a whole must ensure that there
8 is available housing for all. Government figures
9 show that approximately 75 to 80 per cent of apartment
10 tenants who live in rent-controlled buildings are
11 not in financial need. Information provided to the
12 Thom Inquiry shows that only 25 per cent of tenants
13 pay more than 30 per cent of their income on rent,
14 and therefore need some assistance. Another 25
15 per cent pay 30 per cent of their income on rent and
16 that is generally accepted as a reasonable figure
17 for housing, however, a full 50 per cent of the
18 tenants living in controlled buildings pay less than
19 30 per cent of their income on rent. These indivi-
20 duals are getting a free ride at the expense of the
21 taxpayer, and the building owner. Of the families
22 paying more than 30 per cent of their income on rent,
23 many can't afford the higher rents on new buildings,
24 and some can't even afford the rents they must pay
25 under controls. The solution to their plight does
not lie in a program guaranteed to limit availability,
to produce shortages and deterioration in our



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3 housing market. The government must deal directly
4 with those individuals who have an affordability
5 problem through a shelter allowance program. There
6 are shelter allowance programs now in place. They
7 are administered through Ontario Housing Corporation
8 and they work in this way.

9 A tenant that requires rental assist-
10 ance would apply to the local housing authority and
11 if accepted would go out and rent a suitable apart-
12 ment in the private sector. The housing authority,
13 based on that tenant's income, would pay the
14 difference between the shelter allowance allotted
15 to the tenant and the market rent for the unit.

16 To stimulate building, it would be
17 beneficial if the government were to offer sub-
18 sidies to building owners and developers to build
19 units specifically geared to families and tenants
20 with a modest income.

21 Many of the buildings built in the
22 last ten years do not have the facilities or
23 amenities designed for the modest income earner.
24 The buildings I have in mind would be mid or low
25 rise buildings with playground areas for children,
possible area for daycare centre and accessible to
schools and public transportation. The buildings



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3 would have a mix of subsidized and non-subsidized
4 residents.

5 I do not feel that the government
6 should necessarily go out and build more low income
7 housing units throughout the province. Time has
8 shown that where you have built a large number of
9 low income units in one part of the city you un-
10 fortunately have a number of social problems from
11 that part of the city. It is much better to
12 integrate people requiring social assistance into
13 the main stream of society and put them into the
14 private sector buildings. Other residents in the
15 building do not know that these people are subsidi-
16 zed and their children have the opportunity to
17 participate in the sports and recreation activities
18 in that area of the building.

19 The next area of concern is the
20 treatment of pre-76 buildings. A large number of
21 these buildings have chronically depressed rents and
22 need a major infusion of capital. There has been
23 no allowance given for a return on investment.
24 These buildings should be treated in a manner some-
25 what similar to post-76 buildings. The bill, in
its present form, balkanizes the rental housing
industry by creating different categories of buildings.



Those built prior to '76, those built after 1976, and those which may be built in the future. Each group will be allowed to earn a different rate of return. Buildings built prior to 1976 in most cases are older buildings, their maintenance and operating costs are substantially higher than newer buildings and if they are to remain in the housing stock they must be able to earn a fair rate of return. These buildings in a lot of situations also have chronically depressed rents. Bill 51 does not properly address nor provide a solution of the issue of chronically depressed rents. In section 88(1) chronically depressed rents means the gross potential rent for a residential complex where the rent is more than 20 per cent below the gross potential rent for residential complexes that are comparable to the residential complex in terms of number and type of rental units, quality and location and (b) the rate of return on the landlord's equity in respect of a residential complex is less than 10 per cent.

88(2) indicates that if the Ministry finds the gross potential rent is a chronically depressed rent, the Ministry shall allow, in an order made under subsection 80(1) an additional two per



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3 cent per year of the gross potential rent, until the
4 rent is no longer chronically depressed rent. The
5 section does not specifically define how the Minister
6 would establish the rent as being chronically
7 depressed. I would suggest that a section be
8 incorporated in the Act to define what would be
9 considered chronically depressed rents. It is my
10 further suggestion than an accredited appraiser be
11 employed to do a market analysis to define this
12 information. This information would then be
13 provided to the building owner and to the Ministry.
14 If the analysis shows the rents to be chronically
15 depressed, then they should be allowed to be brought
16 up to market rents immediately, and not by adding
17 an additional two per cent per year to the gross
18 potential income until the rent is brought up to
19 standard. Just by working with percentages it is
20 going to take many years to bring that building up
21 to market rent.

22 Another possibility and one that may
23 be favoured by all parties would be to allow the
24 building owner to bring his units up to market rent
25 provided he was agreeable to leasing 20 to 25 per
cent of those units to people requiring rental
assistance. Again, this could be administered by



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3 the Ontario Housing Corporation and help to relieve
4 the number of families waiting for affordable housing.

5 The next concern is the Residential
6 Rental Standards Board. Bill 51 proposes a
7 Provincial Residential Rental Standards Board with
8 the power to enforce minimum provincial standards
9 of maintenance. I would endorse the formation
10 of such a board in areas where there will not be a
11 duplication of services. However, many municipal-
12 ities have a housing officer whose duties are to
13 enforce building standards. In addition there are
14 inspectors from the health boards, Ontario Hydro,
15 utility companies and the fire department that do
16 the same work. In municipalities that do not have
17 building inspectors or other inspection departments
18 we would suggest that members of the housing industry
19 as well as members from government, and citizens at
20 large be allowed to sit on the board. Thank you,
21 sir.

22 THE CHAIRMAN: Thank you. Any
23 questions from the members of the committee? Mrs.
24 Smith.

25 MRS. SMITH: Just one. You
gave us a fairly long suggestion as to what we should
be doing with affordability and I am sure you



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3 realize we have an assured housing policy. Are
4 you aware of the tremendous amount this government
5 is doing in that area as to the very things you
6 are suggesting, considerably more than has ever been
7 done?

8 MR. CURRIE: Yes.

9 MR. JACKSON: On a point of order,
10 does that question contribute at all to the mandate
11 of this committee?

12 MR. EPP: It sure does.

13 THE CHAIRMAN: I think if we start
14 engaging in that debate before we get to clause-by-
15 clause, we will never hear the presentations made by
16 the public. Perhaps you could respond briefly.

17 MR. CURRIE: Yes, I am aware of it
18 and the point being these rent controls were brought
19 about a number of years ago because of affordability
20 problems. They still exist. Yes, the govern-
21 ment is doing something. What I am suggesting is
22 more has to be done.

23 MRS. SMITH: Thank you.

24 THE CHAIRMAN: Thank both of you
25 for your joint presentation.

Before we move to the next presenta-
tion, I wonder if the audience would let us engage in



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3 a short act of self-indulgence. As some of you --
4 that leaves your imagination open. In the political
5 life 20 years is an eternity and if you are a politi-
6 cian, it is doubly so and 20 years ago today a
7 member of our committee was elected to the Ontario
8 Legislature, Leo Bernier, the bear of a man down on
9 my right, in a by-election on September 23, 1966, and he
has served for a long time. We are pleased. Leo.

10 --- Applause

11 We are pleased Leo has chosen to celebrate
12 that in London with us and in keeping with that ...

13 MR. BERNIER: If I might say ...

14 THE CHAIRMAN: We have a short
presentation for you.

15 MR. JACKSON: Make sure it is
16 short.

17 THE CHAIRMAN: We have a small gift.
18 I shouldn't tell you what it is.

19 MR. BERNIER: I suspected that.

20 THE CHAIRMAN: It is a box of
21 butter tarts and the reason it is butter tarts is
22 there is a small bakery in Thunder Bay called
23 "Jessamyn Bakery" and Leo takes one complete run of
their butter tarts once a week.

24 MR. BERNIER: Right.
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3 THE CHAIRMAN: For that reason we
4 presented him with butter tarts and, Leo, congratula-
5 tions.

6 MR. BERNIER: Thank you. You
7 know my weakness. I want to announce here today
8 I am on the last half of my political career.

9 THE CHAIRMAN: Okay. The next
10 presentation is one to whom I owe an apology, Bob
11 Hayward, from Tecsar Engineering. I skipped over
12 that name unintentionally and I apologize for keeping
13 you waiting.

14 MR. HAYWARD: Honourable Mr.
15 Curling, members of the Committee, members of the
16 media, ladies and gentlemen, I am sorry, I even
17 forgot to put my name on the top of my presentation
18 here because I was still working on it last night
19 at one o'clock.

20 I sincerely hope that the time and
21 money which are being expended to present the public's
22 views on Bill 51 will prove to be well spent. I
23 for one felt very disenchanted with the results ob-
24 tained from landlords' expenditures for submissions
25 to the Thom Commission. It seemed that politicians
were promising to be hard on landlords even before
the final words from that Commission were heard and



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3 in that last sentence I see I have left myself a trap
4 later on but I will mention that as I get there.

5 The Fair Rental Policy Organization
6 of Ontario, FRPOO for short, which I support, has
7 asked landlords to support Bill 51 if it is passed
8 to truly reflect the agreement reached between land-
9 lords and tenants as reflected in the recommendations
10 made to the Minister of Housing by the Rent Review
11 Advisory Committee. It is important that Bill 51
12 be amended to accurately reflect those recommendations.

13 The opening paragraph of the
14 explanatory remarks to Bill 51 states that Bill 51:

15 "... incorporates in large measure
16 the recommendations made to the
17 Minister of Housing by the Rent
18 Review Advisory Committee ..."

19 et cetera.

20 However, the FRPOO claims there are
21 several important deviations from those recommenda-
22 tions. I will touch on some of those objections
23 as outlined to landlords by the FRPOO as I proceed.

24 The next paragraph is pretty well my
25 own feelings but my feelings with regard to this
legislation as well as other legislation governing
the rental housing market is still generally negative.



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3 I do not think I would invest in an apartment
4 building again and if I was a developer, I think I
5 would look for other types of development rather than
6 rental housing. I think landlords will be targets
7 again when politicians look for votes and I do not
8 think goodwill expressed by this government will have
9 any bearing on future decisions. After all, post
10 1975 buildings were promised to remain exempt from
11 rent controls, though I cannot see why they should
12 be less liable to controls than other buildings. I
13 only mention the point to illustrate the value of
14 politicians' promises. Therein lies the trap I
15 mentioned because up-front we were promised we would
16 really have a rough time and I think we are not
17 having a rough time or not as rough as I was afraid.

18 Many landlords have small holdings
19 which generate insufficient revenue to allow them
20 to devote more than part of their time to this
21 business. They must have a fulltime job as well.
22 Therefore, it is becoming nearly impossible for them
23 to understand the legislation that governs them and
24 they cannot afford professional assistance. Many of
25 these landlords suspect that government intends to
put them out of business to take over their holdings
for public administration.



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3 The following comments are made in
4 the order in which they appear in the Bill and I am
5 trying to go sort of clause by clause comment here.

6 Under Section 1, Definitions.

7 (a) The term "landlord" seems to
8 include employees who may be acting under the specific
9 instructions of someone who has a higher authority.
10 This concerns me because this may make employees
11 fearful of carrying out their employer's instructions
12 for fear of liability. I wondered if this was
13 the intent of the legislation.

14 The next one was "maximum rent" as
15 defined in terms of the 1st day of August, 1985.
16 Could this definition be extended to cover all
17 permissible statutory or other increases which could
18 have been taken on or after a rent review order if it
19 was prior to 1985.

20 Section 14(2) (d).

21 I concur with the Fair Rental Policy
22 Organization in objecting to the word "consultation"
23 with tenants regarding proposed capital expenditures
24 since I contend that it is my right to make such
25 decisions myself. However, a requirement to confer
with the tenants might be acceptable.

Section 15.



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3 The Fair Rental Policy Organization
4 has expressed a concern that the legislation may
5 prohibit a landlord from making necessary repairs
6 because he cannot obtain the required rent increases
7 to afford the work. Lending institutions seem
8 hesitant now about lending for rental properties
9 and landlords may find it impossible to obtain the
funds needed.

10 Section 55(1) (a) and Section 65.

11 The 1st day of October, 1986 is given
12 as the date that every landlord of a residential
13 complex containing more than six rental units shall
14 file a statement with the Minister and the 1st day
15 of January, 1987 is set as the date whereafter no
16 application or appeal shall be proceeded with if the
17 landlord has not filed a statement. I assume that
18 these dates will be changed since it appears the
19 legislation is not likely to be passed in time to really
make that applicable.

20 Sections 68, 72, 73 and 84.

21 As I understand the Act, a landlord
22 will be allowed to raise the rents by a percentage set
23 out in the RCCI without application to the Minister.
24 However, Sections 72 and 84 seem to say that, upon
25 an application for a greater increase, an operating



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3 cost allowance which is calculated from the RCCI
4 minus one per cent shall be applied by the Minister
5 along with other considerations. The Fair Rental
6 Policy Organization points out that one percentage
7 point of the RCCI formula was intended by the RRAC
8 Agreement to reflect minimum capital expenditures
9 and thus encourage landlords to make small capital
10 expenditures without application and their proposed
11 one percentage point deduction was provided to
12 prevent double recovery where the landlord chose to
13 apply for capital expenditures. They claim the
14 deduction was never intended to penalize the land-
15 lord applying on any other basis. Section 73 does
16 not incorporate the one percentage point deduction
17 where the only grounds for the application are
18 financing costs.

17 Section 88.

18 The Fair Rental Policy Organization
19 points out several objections to this section.

20 (a) The qualifiers for chronically
21 depressed rents are much too stringent.

22 (b) The two per cent allowance can
23 be removed if the landlord does not do repairs.
24 However, he is likely to need the allowance in order
25 to afford the repairs.



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3 (c) Duration of ownership should
4 not be tied to an historical date. As that date
5 recedes into history it will become less and less
6 likely that the landlord will have owned the building
7 long enough.

8 Section 92(1)(a).

9 This subsection appears to be an
10 effort to prevent the collection of what is commonly
11 called "key money." However, it could be interpreted
12 to prohibit a deposit for keys which would be a
13 reasonable amount and returnable, say \$10 to encourage
14 tenants to turn in their keys on termination of their
15 tenancies. Lost keys are a real problem for me
16 and my cost for rekeying a lock is about \$10. With
17 a \$10 deposit, some tenants will want to come back
18 and turn them in for some reason, I don't know why.

19 Then some general comments. 1. Why
20 should buildings built prior to 1976 and after 1975 and
21 in the future be subject to different rates of
22 return? Surely the resale value of a building
23 will reflect its age and consequently the investor's
24 equity will vary proportionately. He should then
25 be allowed the same return on whatever equity he has
as the other guy does.

2. Bill 51 still does nothing



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3 to deal with the problem of low income tenants who
4 are unable to afford today's rents. In time, if
5 sufficient new units come on the market, rundown
6 units will rent for less but those units will likely
7 be poorly maintained because their owners will be on
8 their way into bankruptcy. I feel that owners
9 who couldn't run their buildings right would no
10 doubt lose money and probably some of those buildings
11 would get into very bad shape if there were plenty
12 of units available for people to rent. I don't
13 feel that people in a low income bracket should be
14 forced into rundown units because that is all they
15 can afford but the subject has been spoken on before
16 and I will drop it at that point.

17 Rebates of illegal rents should be
18 the responsibility of the landlord who charged the
19 illegal rents. A subsequent owner should not be
20 responsible where he bought the property prior
21 to this Act coming into force. After the Act is
22 in force, I suspect the buyer will be well aware
23 that he must protect himself against illegal rents
24 charged by the vendor. That concludes my
25 submission.

THE CHAIRMAN: Thank you, Mr.
Hayward. Any questions by members of the



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3 Committee of Mr. Hayward? If not, thank you very
4 much, Mr. Hayward, for your presentation.

5 Is Ray McNally here? Mr. McNally?

6 MR. McNALLY: I apologize. I
7 only brought six copies of my brief with me. I
8 hope there is enough to go around. I am not a
9 developer, I am a small landlord in London and I
10 am a member of the London Property Management Assoc-
11 iation and I am also a member of the Fair Rental
12 Policy Organization of Ontario. I am not a
13 sophisticated operator and I might not fully under-
14 stand the ramifications of this topic matter. I
15 represent myself.

16 I started buying real estate,
17 residential real estate, 15 years ago. My first
18 ventures were duplexes and semis. During that
19 15-year period I worked for the phone company
20 putting every spare dollar into residential real
21 estate. My wife's teaching job paid the bills.
22 I borrowed money from the banks and credit unions
23 using our home as collateral and our good credit
24 standing as incentives to the lenders. I con-
25 vinced our relatives to lend us money because I was
convinced that owning residential real estate was
a good dependable investment.



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3 We had our share of malicious damage,
4 midnight moves, fires and tenants who just needed a
5 little more time to pay their rent. This of
6 course was aside from fixing toilets, painting till
7 the next day's sunrise and cleaning up after people
8 had moved on. The financial risks were very high.

9 Ten years ago, as you know, rent
10 control was brought about as a temporary measure.
11 There may have been a good reason at the time for
12 rent control, because of some isolated regionalized
13 problems. I didn't really understand it then.
14 I remember trying to understand why my expenses were
15 allowed to increase at double digit rates when the
16 return on my investment was so restricted. I also
17 remember escalating energy costs, skyrocketing at
18 over 30 per cent a year in my case and still I was
19 only allowed to recover six per cent of that increase.
20 I was caught in the interest rate roller coaster in
21 the early 80s. I was fortunate. Only one
22 mortgage came due at the interest rate peak. I
23 felt lucky to be able to renew my 10½ per cent mor-
24 tage at only 18½ per cent while other investors were
25 paying 22 per cent. I was really wondering at
this point what political or business wisdom was
being demonstrated by allowing only a six per cent



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3 rental increase unless I could prove that I was
4 losing money. At that time I wasn't losing money.
5 I just wasn't making any after all that we had
6 been through to get us that far over the past 10
7 years.

8 A little over a year ago, interest
9 rates were falling to a more tolerable double
10 digit level. Energy costs were beginning to
11 stabilize and single digit inflation was helping to
12 keep the increasing costs of goods and services to
13 a minimum. It looked like I would soon be able to
14 receive a small return on what is now a considerable
15 financial investment on my part. There appeared
16 to be light at the end of the tunnel. What a
17 surprise I got when I found out that the light at
18 the end of the tunnel was an oncoming train. The
19 crippling six per cent ceiling was actually lowered
20 to only four per cent. I couldn't believe that
21 our political system knowing how damaging the exist-
22 ing six per cent rent control had been to the
23 supply of affordable housing would compound the
24 problem by making it even less attractive for the
25 private sector to participate. With the advent of
four per cent rent controls the return on my 15
years of investments in residential real estate was



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3 less than 1.5 per cent per year barring extraordinary
4 expenses. I have always maintained my properties
5 at very high standards and I've provided my tenants
6 with a very good quality of accommodation. I am
7 now faced with some major roof replacement expenses
8 which cannot possibly be covered by the existing
9 rental income projections. Even with my signifi-
10 cant equity ownership, banks are extremely reluctant
11 to lend money for such expenditures with such a poor
12 cash flow situation, not that I could afford the
13 payments.

14 I had very little trouble in obtain-
15 ing financing for a small commercial strip plaza of
16 three stores which I recently purchased. The lack
17 of confidence in the residential sector has forced me
18 to shift my investment activity towards commercial
19 and away from residential. I don't have to tell
20 anyone in this room that this province has reached
21 a critical shortage of decent, affordable rental
22 accommodation and I highlight the word "decent."
23 There is no question that some people need financial
24 assistance to provide themselves and their families
25 with shelter. I am sympathetic to that and some-
times I wonder if I will be able to provide my
family with affordable housing given the direction



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3 that this industry is going. I am told that
4 hundreds of rental applicants are turned away each
5 week because of no vacancies but the vacancy rate
6 is approaching zero. There are 17,000 families
7 who need subsidized housing on a three-year waiting
8 list. Private investors aren't building rental
9 housing because the rate of return on their investment is
10 not sufficient. Many existing rental properties
11 cannot be properly maintained. I will have more
12 to say about that shortly. Statistics show that
13 the people who need housing subsidies the most,
14 that being the low income earners of under \$20,000
15 per year, are benefitting from the rent controls the
16 least and the high income earners, \$40,000 plus per
17 year, benefit the most from rent controls. That
18 is what I call the 80/20 rule. The estimated
19 cost of rent controls for 1986 as I understand it
20 is expected to be over \$250 million. Ontario's
21 taxpayers, including me, are paying for this.

22 Who designated the risk-taking
23 property owner, who generally has everything on the
24 line, as the responsible party for social assistance
25 for housing in this province? Assistance should
be given to the needy by government funded social
programs and the business of building, buying,



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3 and operating residential properties should be left
4 to the people who build, buy and operate them. Bill
5 51 appears to be a step in the right direction. I
6 have read "A Guide to the Proposed Residential Rent
7 Regulation Act" from the Ministry of Housing; "The
8 Report of the Rent Review Advisory Committee" to
9 the Honourable Alvin Curling, Minister of Housing,
10 and the "Summary of the Rent Control Legislation"
11 prepared for the Fair Rental Policy Organization of
12 Ontario." I don't profess to understand all of
13 what I have read in these documents. However, it
14 is very clear to me that an extremely delicate
15 balance has been reached. Nine members representing
16 the tenants and nine members representing the private
17 sector housing industry have been asked by the
18 Minister of Housing to meet with each other to attempt
19 to reach a compromise.

20 Subsequently, this Committee gener-
21 ated a report of recommendations that neither side
22 were completely happy with but could live with if
23 no significant changes were made to the package as a
24 whole. While I too don't like everything in that
25 report, those recommendations are the closest that
we will come to a mutual agreement. It is extremely
important that the private housing sector be



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3 treated fairly. Only then will investors'
4 confidence be restored enough to produce more
5 residential rental accommodation and ultimately
6 bring the vacancy rates in Ontario to more acceptable
7 levels.

8 In summary, I am in favour of the
9 proposed Bill 51 as recommended by the Rent Review
10 Advisory Committee.

11 THE CHAIRMAN: Thank you, Mr.
12 McNally. You shouldn't feel badly about not
13 understanding it because there is only one person
14 in Ontario who understands it totally and that is Dr. Lafferty
15 and he got his Ph.D. thesis writing it.

16 --- Laughter

17 Are there any questions of Mr.
18 McNally? Thank you, Mr. McNally, for your
19 presentation.

20 The committee has been joined by
21 Mr. Jack Pierce on my left from Rainy River who had
22 plane trouble. He hasn't been around for 20 years
23 but 20 months.

24 MR. PIERCE: Twenty months or
25 so.

THE CHAIRMAN: The next is the
Fair Rental Policy Organization of Ontario which has



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3 been mentioned in several despatches, Mr. Barry
4 Parker. Welcome to the Committee.

5 MR. PARKER: Hon. Mr. Curling,
6 Committee members, ladies and gentlemen, thank
7 you for coming to London to discuss firsthand the
8 problems of rent controls. It is encouraging to
9 landlords, investors and developers to see members
10 of the Legislature taking the time and trouble to
11 listen to us on our own home ground.

12 I am speaking today on behalf of the
13 Fair Rental Policy Organization of Ontario which
14 represents the developers, owners, managers and
15 other related parties involved in the production and
16 management of private sector rental housing in
17 Ontario. I will not take the Committee's time
18 here today describing our organization as I assume
19 you have already heard of us in previous hearings
20 and are therefore familiar with our purpose and
21 goals. Of course, if there are any questions, I
22 will be pleased to answer them.

23 Before discussing specific issues
24 with respect to Bill 51, I would like to take a few
25 moments to familiarize the Committee with some
significant features of the rental housing market
in the London area. I work in London for a local
developer and I think there are some differences here



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2 that you should be aware of.

3 London Rental Market. It has been
4 said before that there is no need for the high degree
5 of intervention by the government in private sector
6 rental housing, and we feel this statement is espec-
7 ially true when applied to London. We view
8 controls as an ill conceived response to a Toronto
9 problem that has been enforced on other municipali-
10 ties in the province whether there is any justifica-
11 tion or not.

12 One of the big arguments offered
13 by rent control advocates is the affordability
14 issue. Affordability is not a major problem in
15 London. London is still a market where \$750 is
16 considered to be a luxury rent which commands prime
17 locations and numerous amenities. The April
18 1986 CMHC survey indicates that rents in Toronto are
19 an average 25 per cent higher than in London, while
20 the median income in Toronto is only four per cent
21 higher. So, there is a big gap there in terms of
22 the affordability problem. In London, the average
23 one-bedroom apartment including both the controlled
24 and non-controlled sectors is only \$355 per month,
25 as of last April, a rent that can only be considered
very reasonable.

In addition to lower rents, London



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3 has traditionally had a higher vacancy rate than
4 other municipalities. Our community has been
5 fortunate to have developers who have continued to
6 build rental accommodations despite the misgivings
7 about rent controls which have paralyzed the
8 industry in other areas of the province. Again,
9 according to CMHC, at the present time there are
10 approximately 800 rental units coming to market
11 in the city, none of which have required any
12 government subsidy. No question if the marketplace were
13 allowed to operate freely, there is no question
14 that there would be a very substantial supply of
15 new rental accommodations in this city.

16 When you review the CMHC vacancy
17 surveys, you will also see that the pattern of
18 higher vacancies in London has been consistent.
19 Up until the early 80s, London enjoyed a generous
20 vacancy rate, certainly generous from the tenants'
21 viewpoint. In 1982 for example, London had the
22 fifth highest vacancy rate of the 24 metropolitan
23 areas surveyed by CMHC across Canada, and that
24 included provinces both with and without rent
25 controls. Competition for tenants was so furious
that for many years prior to 1982 it was impossible
to charge even the statutory increases which we



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3 weren't technically allowed to take. If we had,
4 there was so much selection that the tenants would
5 rent elsewhere. Landlords in London have been
6 hit doubly hard by the missed opportunities to
7 increase their rents since under the current rent
8 control system, if a landlord misses an increase
9 once, he misses it forever. It is therefore
10 likely that London landlords who were unable to
11 take even the statutory increases for many years
12 have not been able to enjoy even the minimal returns
13 which the current legislation permits.

14 In addition to the higher overall
15 vacancies, the high percentage of student housing
16 in London creates other problems for our industry.
17 Vacancy surveys are taken in April and October
18 when Western and Fanshawe students are in town,
19 but during summer months, the vacancies rise
20 considerably as month-to-month student tenants give
21 their notices to vacate at the end of the academic
22 year. This means that vacancy losses for London
23 landlords are higher than the statistics would even
24 indicate, and as stated earlier, the statistics
25 have usually indicated generous vacancies compared
to other areas.

In summary, our industry in London

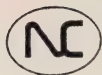


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3 has had to live over the past decade with a system
4 of rent controls that was not necessary and has
5 been more punitive on landlords in this city than
6 landlords in other areas. Average rents are low,
7 and except in recent years, average vacancies have
8 been high, and our market is influenced by a large
9 turnover of student tenants each year. We feel
10 that the current rent control system has not
11 properly taken into consideration our situation
12 here in London and in fact, it is difficult to
13 envision how any province-wide control system based
14 on a perceived Toronto problem will ever take into
15 account the distinctiveness of other cities such as
16 London.

17 In the context of our somewhat unique
18 rental market, we regard Bill 51 as a first step
19 towards a saner rental policy -- if it is passed
20 in such a manner that it truly reflects the agree-
21 ments reached between tenants and landlords during
22 the Rent Review Advisory Committee RRAC negotiations.

23 There are a number of positive
24 elements which we see in Bill 51:

25 1) We believe that Bill 51 will
streamline the rent review process by allowing
orders to be issued faster. The elimination of



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3 the documentation of operating expenses during rent
4 review hearings will speed the process up consider-
5 ably, for example.

6 2) The proposed system of pre-
7 determinations will give landlords an indication
8 as to how proposed capital expenditures will be
9 treated.

10 3) We feel that the annual adjust-
11 ment of the statutory maximum increase based on
12 the Operating Cost Allowance (OCA) will in times
13 of moderate inflation permit landlords the funds to
14 properly maintain their buildings.

15 4) Bill 51 will allow landlords who
16 miss an increase to catch up in future years as it
17 makes a distinction between maximum legal rents and
18 current rents.

19 5) The Bill reduces the Commission-
20 ers' discretion in cases of financial loss.

21 6) For the first time, the legis-
22 lation recognizes the very fundamental concept of
23 return on equity for investors who supply rental
24 housing. Although this concept applies only to
25 post-75 buildings, it nevertheless represents a
big improvement over the cost pass through system
contained in present legislation.



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3 7) We welcome the return of the
4 concept of rent equalization. Imbalanced rent
5 rolls are difficult to accept for both landlords
6 and tenants who do not understand why there are
7 often different rents being paid for exactly the
8 same premises and services.

9 8) And finally, we feel that the
10 outlawing of key money and rebate hunters who
11 operate on a contingency basis will reduce many of
12 the abuses which have taken place in the past.

13 But while Bill 51 is an improvement
14 over the old system in the areas which I have out-
15 lined, we nevertheless have a sense of great reser-
16 vation.

17 In a general sense, we are very
18 concerned that the Bill will be substantially
19 amended as a result of the hearings of this
20 Committee, and amended to further weaken the
21 position of our industry. We have followed with
22 interest the activities of the Rent Review Advisory
23 Committee over the past six months and we continue
24 to support the position taken by our industry
25 representatives on that committee. Both tenants
and landlords can undoubtedly find plenty of faults
with the RRAC accord but the accord is like the



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3 result of any other bargaining process insofar as
4 it represents a compromise with difficult trade-offs
5 for both parties. After the tenant and industry
6 representatives made the difficult compromises to
7 reach the accord, we understand now that tenant
8 organizers are washing their hands of the deal
9 made by their representatives on the Committee and
10 are pressuring this Committee to reject many of the
11 elements of the RRAC recommendations that are
12 contained in Bill 51.

13 With all due respect, we do not
14 believe that this Committee has the time to properly
15 be apprised of all the issues involved in the
16 rent control question in Ontario. The Thom
17 Commission for example spent the past three years
18 studying and researching that very question and
19 we have yet to receive any report from Mr. Thom
20 seven months after the hearings ended. Quite
21 frankly, we find this Bill to be extremely compli-
22 cated and are concerned that there will be amend-
23 ments made on the basis of political party dogma
24 and the extreme examples and anecdotal submissions
25 made by tenants to this Committee. Having
already made extensive compromises during the RRAC
negotiations, we are concerned that these positions



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3 will now be viewed as a starting point for a
4 further round of amendments, and we consider that
5 such an outcome would be very unfair. We are
6 encouraged as much by the process of combined land-
7 lord and tenant involvement which led to the accord
8 as we are by the accord itself and we believe that
9 it is essential that Bill 51 accurately reflect the
10 terms of that accord. Any watering down will
11 only serve to further discourage the industry as to
12 ever getting a fair break from the politicians in
13 this province.

14 In reviewing Bill 51, there are
15 specific areas to which we would like to bring your
16 attention.

17 1) Pre-1976 buildings.

18 Our concern is that the rate of
19 return allowed to pre-1976 buildings is inadequate.
20 Rates of return for pre-1976 buildings have been
21 frozen in place since the old system is a cost pass
22 through system and for those landlords in
23 communities such as London who were unable to take
24 the full statutory increases, their returns are
25 undoubtedly below the minimal ones permitted
under current legislation. The concept of return
on equity has been limited only to post-1975



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3 buildings and we would suggest that owners of older
4 buildings are also entitled to a return on their
5 investment as well.

6 2) Affordability

7 Bill 51 does not deal in any sub-
8 stantive way with the problem of low income tenants,
9 but rather uses a more encompassing rent control
10 system to attempt to solve their problems. It
11 has been demonstrated by many studies, including
12 those prepared for the Thom Commission, that the
13 bulk of the benefits under rent controls are rec-
14 eived by the middle and upper middle classes. We
15 believe that the government must respond more
16 directly to assist those who cannot afford the
17 necessities of life, including accommodations.

18 In London, many landlords have made
19 rental units available to tenants who receive
20 government rent subsidies, although we understand
21 that the funding for such programs is not nearly
22 sufficient to meet the level of need. We would
23 suggest that more funding be put into similar
24 programs instead of funding the substantial increase
25 in the cost of operating the Residential Tenancy
Commission which is being necessitated by the
provisions of Bill 51. We feel that putting



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3 further funds into a system of rent controls which
4 serves to reduce the supply of housing for the poor
5 is completely inappropriate.

6 3) Chronically Depressed Rents

7 Bill 51 does not conform with the
8 RRAC Agreement and does not provide a solution to
9 the issue of chronically depressed rents. As the
10 Bill is now written, we feel that the qualifiers for
11 chronically depressed rents are much too stringent
12 and will exclude many landlords who have very real
13 problems relating to low rents and high operating
14 expenses. For example, in order to obtain the
15 extra two per cent allowance, a landlord whose
16 building requires repairs must make those repairs
17 in advance which puts him in the catch 22 position
18 of needing the funds to make the repairs but not
19 being allowed to get the funds until the repairs
20 are made. We feel that a grace period such as
21 is allowed for capital expenditures would resolve
22 this problem.

23 We also feel that the 20 per cent
24 below comparable property is much too great a gap
25 -- 10 per cent would be more appropriate.

4) Consultation With Tenants

The sections of Bill 51 that deal



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3 with the Residential Rental Standards Board and the
4 specific requirement of consultation with tenants
5 for maintenance and capital expenditures will take
6 away from the owner his ability to prudently manage
7 his business. While the industry acknowledges
8 the need for a continuing dialogue with tenants
9 on such matters, we believe that the final decision
10 must continue to rest with the party at risk -- the
11 property owner. We therefore recommend that any
12 references to consultation contained in the Bill be
13 changed to a call for a dialogue and that the
14 Residential Standards Board be organized on the
15 lines of the Ontario New Homes Warranty Program,
16 administered by the industry with input from con-
17 sumers and government.

18 5) Operating Cost Allowances

19 The RRAC Agreement states that in the
20 case of rent review applications, the Operating
21 Cost Allowance (OAC) will be the full Residential
22 Cost Complex Index (RCCI). The only exception is
23 the cost of capital expenditures where the RRAC
24 Agreement requires that the OCA be the RCCI minus
25 one. That is a real mouthful.

Bill 51 however requires that the
RCCI be reduced by one per cent for all rent review
applications regardless of the reason, and this



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3 is neither fair nor in conformity with the RRAC
4 recommendations. One per cent of the RCCI formula
5 itself is intended to reflect capital expenditures
6 that landlords routinely have to make without any
7 rent review application, and we do feel it is
8 reasonable to reduce the RCCI by one per cent if the
9 application is in fact based on capital expenditures.
10 In all other cases the index should not be reduced and
11 we therefore urge that the Committee amend the Bill
12 to correct this problem.

13 To summarize, Mr. Chairman, we have
14 today pointed out some of the distinctive features
15 of our rental market in London, namely, a higher
16 degree of affordability combined with a history
17 of higher than average vacancies. We have also
18 reviewed some of the positive and negative aspects
19 that we see in Bill 51 and have mentioned a few of
20 the specific concerns we have about certain portions
21 of the Bill.

22 We wish to again impress upon the
23 Committee that we support the recommendations of
24 the Rent Review Advisory Committee and in our view
25 Bill 51 must accurately reflect the recommendations made by
that Committee if it is to succeed. Although
the Bill is a stop-gap measure, it is an important
first step towards a resolution to the massive



housing crisis which we face in Ontario.

The history of rent controls is one of good politics but bad economics. Although politics will win in the short-run, economics always wins in the long-run. If Londoners and all residents of Ontario are to continue to enjoy having an adequate supply of rental housing, Bill 51 is the first step in setting the proper economic climate for our industry to produce and manage the supply of rental housing that was once a source of pride. Thank you.

THE CHAIRMAN: Thank you, Mr. Parker. There are some questions and even one might come from the Committee about your thesis that economics always wins in the long-run. It is a scary proposition.

MR. REVILLE: I think politics may run within the short-run as well as the long-run. I was curious about something you said on the second last page under "affordability" and in your second paragraph under "affordability" where you talk about landlords having made rental units available to tenants who receive government rent subsidies and then you go on to say:

"... funding for such programs is not nearly sufficient ..."



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Can you expand on that a little bit more?

MR. PARKER: Yes. We are told by the London Housing Authority they have a long waiting list for such programs but the funds aren't there to provide a subsidy for those tenants who are in need and these people are often in distressful situations because of that.

MR. REVILLE: You are talking about a rent geared to income type of subsidy rather than an income maintenance subsidy that has a housing portion in it?

MR. PARKER: The one I am talking about is where the tenants' ability to pay is assessed and the tenant pays that amount to the landlord and the London Housing Authority subsidizes that amount to market rent.

MR. REVILLE: Rent sub program. You suggest one of the ways for addressing increasing funding for rent subs would be not to increase the cost of operating the Residential Tenancy Commission.

MR. PARKER: That is correct.

MR. REVILLE: Given that you support Bill 51 and given that there will be expenses that will accrue through the implementation and



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3 administration of Bill 51, how can you have it both
4 ways?

5 MR. PARKER: We obviously can't
6 have it both ways. I am saying this is an area
7 that concerns us about the Bill. Having said
8 that, however, I think our final position is clear.
9 Despite these concerns we are prepared to support
10 the Bill but I think it is only fair to say
11 we might as well point out to you that we don't think
12 this Bill really is cost-effective as far as helping
13 people who have an affordability problem.

14 MR. REVILLE: You refer to Bill 51
15 and this is fairly common in the briefs from your
16 organization that this is a stop-gap measure.

17 MR. PARKER: That is right.

18 MR. REVILLE: And yet the government
19 says rent control is a permanent policy and in fact
20 have said on a number of occasions this is the finest
21 rent review system ever invented in history.

22 HON. ALVIN CURLING: So far.

23 MR. PARKER: We are hoping they
24 will improve upon it in the future.

25 HON. ALVIN CURLING: You watch me
next year.

MR. PARKER: Is that your question?
I don't think you asked a question.



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3 MR. REVILLE: I guess the question
4 was in your view this is a stop-gap measure and the
5 government's view is this is a glittering jewel that
6 will shine ever brighter as the years go by and will
7 be remembered by historians of rent review,
8 Nicholas Patterson will fly into a million pieces
9 when he thinks about how good this is.

10 MR. PIERCE: If he can remember.

11 MR. REVILLE: There is a clear
12 divergence in the view you have and the view the
13 government is putting out and I wonder if that
14 troubles you. I wonder if that strikes you as
15 being inconsistent perhaps with the consultative
16 process the government has invited you to join.

17 MR. PARKER: Of course not. The
18 government does control the agenda with respect
19 to rent controls and they have for the past ten
20 years. I don't think the industry has ever felt
21 that it had in the past any real consultation or as
22 much consultation as we have had over the past six
23 months. We see this as an improvement, especially
24 over the starting point that we had about a year
25 and a half ago with the Liberal/NDP accord and
the Liberal parties all tripping over each other
during the election starting to get tough on land-
lords and certainly in



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3 that context we really do like Bill 51 because I
4 think the alternatives are a lot worse from our
5 viewpoint. We certainly hope that the dialogue
6 that has been started with the landlords and tenants
7 and the government will continue in the future and
8 I understand the Rent Review Advisory Committee
9 will continue in the future and we hope for further
10 improvements in the future from that dialogue.

11 MR. REVILLE: Thank you, Mr.
12 Chairman.

13 THE CHAIRMAN: Mrs. Caplan?

14 MRS. CAPLAN: I guess my question
15 is really again to ensure I have understood you
16 correctly, particularly in light of Mr. Reville's
17 questions. You have acknowledged in your brief
18 that Bill 51 does not deal with the affordability issue
19 and increasing the supply and you
20 acknowledge the efforts of the government under
21 its many programs to deal with the affordability
22 issue and increasing the supply. You have
23 stated in your brief that -- it was the bottom line
24 that this would be the proper economic climate for
25 our industry to produce and to manage the supply
which was previously a source of pride. If you
can expand on that, we have had from your members
some mixed messages.



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3 Is it your feeling that this will help the private
4 sector as well to enable it to stimulate the supply
5 as well and secondly maintain those buildings which
6 have deteriorated?

7 MR. PARKER: Okay. I think it
8 is clear from the hearing so far today that land-
9 lords do not all think alike. I think there has
10 been a range of views saying it is not enough to
11 make them build -- we have an example where there
12 is 800 units under construction. With Bill 51
13 staring the people in the face with no subsidies
14 obviously there are landlords who are prepared to
15 build. I think it is reasonable to say that
16 the industry

17 appreciates the way that Bill 51 gets around that.
18 First of all, this matter of consensus. Secondly,
19 Bill 51, if you want to be optimistic, does have
20 some positive points. We are not going to get
21 locked into a fixed statutory increase of high
22 inflation returns. There is going to be some
23 automatic adjustment in it. Things such as that
24 do please the landlords. I think however that it
25 is naive to think that Bill 51 is immediately
going to crowd the skyline with construction
cranes.



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3 I think what the industry really needs is Bill 51
4 and this consultative process along with a commit-
5 ment from the politicians in this province not to
6 kick the landlords around every time an election
7 comes up because real estate is a long-term invest-
8 ment and the people that I think the government
9 should be encouraging to get involved in this bus-
10 iness is the traditional long-term holder, not the
11 people who are flipping syndications and this kind
12 of thing. It is difficult for someone making
13 that type of investment decision which generally
14 implies negative cash-flows for a number of years
15 to make that decision in an economic environment
16 where you don't know what the rules are going to be
17 down the road. I think, Mrs. Caplan, it is a
18 two-pronged thing. If Bill 51 gets approved it
19 will be the same old story where the politicians alter
20 things geared to tenants in Toronto ridings, if
21 you like. I think we need some stability to the
22 whole matter of rent control in this province.

23 MRS. CAPLAN: Your bottom line as
24 far as economic climate, this will give you the
25 longer-term security or surety of what the future
holds and that is tenant protection and rent review
will stay for some considerable time and within that



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3 environment consensus has been reached between
4 the leadership of the landlords and the tenants to
5 make the situation better than it has been for the
6 last decade because of that security. Would that
be a fair statement?

7 MR. PARKER: I think that is a
8 reasonable statement, yes.

9 THE CHAIRMAN: Mrs. Smith?

10 MRS. SMITH: Mrs. Caplan covered
11 most of my points. I think you are aware that
12 the aim of the Bill, the flexibility built into the
13 Bill is very much done so it won't need to be
14 adjusted at regular intervals and in fact has some
15 flexibility to adjust to varying economic times.
16 I think that is one of the more important aspects
17 of the Bill, trying to take the politics out and
18 build in a permanent -- and then of course you
19 remember also we are far from being perfect.
20 Basically what is being done here is setting up an
ongoing process of landlords and tenants working together
21 and certainly hopefully we will continue to work
22 and improve it as the years go on.

23 MR. PARKER: That is encouraging,
yes.

24 THE CHAIRMAN: Thank you. Mr.
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4 MR. BERNIER: Can you give the
5 Committee any idea of how many non-subsidized units
6 are being built in the city at this moment?

7 MR. PARKER: When I was preparing
8 this I checked with a housing analyst with CMHC who
9 advised me there were about 800 units coming onto
10 market, either under construction, in the works, in
11 the pipeline.

12 MR. BERNIER: That is a large
13 number in comparison to what we have heard in other
14 areas where there aren't as many as that. I
15 wonder how that falls into step with your comments
16 on page 2 where you refer to the rent control
17 system as being punitive to landlords in this
18 city, the average rents are low and the average
19 vacancies are high. Why would landlords move
20 into 800 new units, non-subsidized units under
21 those conditions?

22 MR. PARKER: That is a good
23 question. Many of us aren't quite sure to be
24 honest. All I can say is they are there and
25 I think it demonstrates, as I said earlier, all
landlords don't think alike. There are wheelers
and dealers and if you like who will take a chance



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3 and we need them.

4 MR. BERNIER: Risk-takers.

5 MR. PARKER: Risk-takers and they
6 are taking a risk right now and I hope this Committee
7 doesn't make them regret that.

8 MR. BERNIER: London is a good
9 example of a different enterprise system.

10 MR. JACKSON: My question really is
11 supplementary with respect to these 800 units
12 because I think we have left the impression they
13 are a function of the news of Bill 51 and having
14 been currently in the development business and
15 given that the Bill has only seen the light of day
16 for several months, you are not really suggesting
17 that it was the news of Bill 51 that has these 800
18 units under construction?

19 MR. PARKER: Absolutely not, no.
20 These were started some time ago.

21 MR. JACKSON: Yes, I wanted to
22 clear that up. When the guy found out about it,
23 he said "Oh, no!"

24 Quite frankly the process of obtain-
25 ing land, zoning and the various hurdles at the
municipal level and getting building permits,
there are points in that development process where



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3 you are at a point of no return because if you don't
4 pick up the permits then you lose your right to
5 develop in that fashion or to proceed.

6 MR. PARKER: That is right.

7 MR. JACKSON: So there is a
8 significant time involved. Would you not agree
9 that a significant component of any decision to
10 have built these units has more to do with the
11 status of post-75 buildings and the interest rates?

12 MR. PARKER: Yes, I think that
13 is a fair comment. I don't know, you know, I am
14 not party to the thinking that was behind the
15 decision to build these units but I can only assume
16 the decisions were made some time ago, a couple of
17 years ago, maybe even longer and at that time the
18 post-75 market had in fact developed as a free
19 market. The rent control market was a non-entity
20 as far as vacancies. There were none and there
21 was a healthy non-controlled competitive market
22 developing which of course has now been brought to
23 an end, but I think that is probably -- that may be
24 the time at which these investment decisions were
25 made.

MR. JACKSON: Mr. Parker, if I
can continue with your thesis, we have heard



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3 from the Assistant Deputy Minister of Housing,
4 Mr. Church, if the new development which the
5 government or the Minister indicates should be
6 stimulated should fall short, that we will see
7 perhaps new development only in the upper end,
8 luxury units will be built and it is the hope,
9 there is clearly the word "hope" used to describe
10 this sort of rippling down effect that tenants
11 in cheap apartments would move into more expensive
12 units, enjoying more amenities and so on and so
forth,

13 Now, whether you subscribe to
14 that theory or not, under this new Bill, and given
15 the post-'75 provisions will evaporate, do you
16 not believe that that process will not occur in
17 the London area? It was you, I believe it was you
18 who brought it to our attention the very signifi-
19 cant item about the 40 percent differential in
20 rents and the five percent differential in income.
21 That would indicate to me that if we are going to
22 build on the upper end, you are going to have a
23 significant gap in the City of London between your
24 average rent and new constructive rents, a more
25 significant gap than currently exists,
for example, in the Toronto market and several
other markets in Ontario.



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MR. PARKER: Is that a question?

MR. JACKSON: Yes.

MR. PARKER: What is the
question?

MR. JACKSON: My question is:
Do you not agree there will be a significant gap
between the -- is that, in fact, your basis ...

MR. PARKER: I understand.

MR. JACKSON: ... basis you
describe on Page 1 will superimpose itself again under
the new Bill except that by eliminating the
post-'75 provisions, you are going to have a
wider difference between market rent and the
current average in the city. Therefore, it will
be less attractive to build in the City of London
under the new Bill, that is the anomaly I pick up
looking at your own statistics.

My understanding of market rents,
how they will work ...

MR. PARKER: That anomaly is there
under the present system and they are building
anyway. Bill 51, as I understand it, allows a
landlord to get a pre-determined rent based on his
costs and allows him to retain that rent and
increase it by the statutory increase until that



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3 market allows him to catch up. Now, your point
4 is valid that there is always a big gap between
5 economic rent, that is, the rent paid for a new
6 building and the market rent at any point in time,
7 but in this business, especially people who are
8 long-term owners, you know, you figure the first
9 three to five years you will be lucky to break
10 even during that period of time. But if the
11 system allows the landlord to retain this economic
12 rent and keep building it up and let the market
13 work up towards it, I think people will work
under that basis.

14 MR. JACKSON: The reason I
15 raised the question is because we have had
16 developers before us in Toronto and they indicate
17 that because the economic rent and the market
18 rent are very close, they will be able to build
at the luxury end.

19 MR. PARKER: I don't think they
20 are as close here, but they will be no closer
21 after Bill 51 than before. I mean, Bill 51 does
22 nothing to control the cost of building and
23 operating an apartment building. It just restricts
24 the revenue, but the Bill, as I understand it,
25 does allow a rent to be struck for a unit prior



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3 to its construction and allows the landlord to
4 preserve that rent and build upon it and allow
5 the market rent to catch up. You know, it is
6 hard to say, but I think that may be of interest
7 to some people in this business. That is all
8 I can say.

9 MR. JACKSON: May I ask, Mr.
10 Chairman, Mr. Lafferty or Mr. Peters if they can
11 just refresh my mind with respect to what will
12 happen with new construction? Will the base of
13 calculation be on actual construction costs or
14 will it be based on market rents with a formula
15 for them to increase towards an economic rent?
16 I don't need the actual reference in the Bill,
17 I just need to conceptually get it straight in
18 my mind.

19 MR. LAFFERTY: I drew the short
20 straw. The provisions that are in the Bill in
21 Section 77, as you are probably aware, call for the
22 rate of return to be calculated on the landlord's
23 initial equity and on capitalized losses. The
24 manner of determining the value of that initial
25 equity and capitalized losses are now being worked
out with the input of RRAC and will accord to the
recommendations in the RRAC Report, more specifically,



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3 Section 2.3, Recommendations 1 to 5,

4 which set out the basis on which land and
5 buildings will be evaluated under the new system.
6 We are proceeding with the advice of the Advisory
7 Committee to further fill out the necessary rules
8 in order to have a system that would be fully
9 workable. I think, if I might, Mr. Jackson, I
10 might add one thing.

11 This allows for that economic
12 rent to be pre-established, and the market rent
13 may be substantially lower than that and there
14 would be the growth up to that economic rent. At
15 that level, it becomes controlled.

16 THE CHAIRMAN: A supplementary
17 from Mr. Pierce.

18 MR. PIERCE: I need some
19 clarification because my understanding was on new
20 construction, the developer/landlord who is able
21 to establish his first rents and then proceed
22 from there, the description you have given us
23 is that on already existing buildings for above
24 normal rents?

25 MR. LAFFERTY: What we are
talking about to find his place in the market.
What we are talking about is the manner under



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3 Section 77, they achieve their full rate of return
4 which takes into account the rate of return specified
5 in the 77 (1) and also the phase-in provisions
6 specified in 77 (2) and as part and parcel of that,
7 there is the need to evaluate the landlord's
8 capital base made up of his initial equity and
9 his potential losses. As I indicate, we are
10 further defining this aspect.

11 MR. PIERCE: If the developer
12 comes in at rents higher than market value, higher
13 than market value he can maintain those rents at
14 that level until such time as he decides to go
15 down to the market or the market catches up with
16 him?

17 MR. LAFFERTY: My evidence -- my
18 understanding from the evidence given today and
19 my knowledge of other parts of Ontario is that
20 builders invariably, in their early years, charge
21 market rents which do not meet the full economic
22 cost. It is typical that you take in and around
23 five years before you hit the break-even mark. The
24 possibility of being raised simply is not reflected
25 in the Ontario market.

MR. PIERCE: Thank you.

THE CHAIRMAN: Final question, I



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hope, Mrs. Caplan?

MS. CAPLAN: Supplementary to that, would this be a very good example of where that landlord and tenant group came together on a basis that would be considered as fair to both?

In other words, the landlord is concerned in those first years loss for market rent was lower, than there was the ability through a defined process of giving that security for the future, as well as saying to tenants this is what it is going to be and know in advance what the rules are that is fair to both sides? Would that be a fair description of that?

MR. PARKER: I think, if we had our druthers, we would rather the market not stay controlled post-'75. There is not any type of alternative now, so given the option from which we are given to select our ...

MS. CAPLAN: You saw this as being reasonable and fair to both sides?

MR. PARKER: We would be prepared to give it a chance and our industry has endorsed it as being reasonable.

MS. CAPLAN: Thank you.

MR. PIERCE: Mr. Parker, in



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3 respect to the 800 units that are under construction
4 or just are in construction in London areas, are
5 those coming in as luxury apartment units, are they
6 coming as low rental units even though they are
7 not subsidized?

8 MR. PARKER: The ones I'm familiar
9 with I have seen coming on the market I would not
10 describe as luxury. With luck, you know, perhaps
11 the Committee, I don't know if you have time to
12 just take a drive around the city and see some of
13 the stuff that is going up. It is not glass-
covered luxury buildings.

14 MR. PIERCE: It would have to be
15 after midnight.

16 THE CHAIRMAN: Mr. Parker, thank
17 you very much for appearing on behalf of your
group.

18 MR. PARKER: Thank you.

19 THE CHAIRMAN: Is Mr. Richard
20 Izawa here?

21 Mr. Izawa, you are with Parkside
22 Management, welcome to the Committee.

23 MR. IZAWA: I only have six
copies of my brief.

24 THE CHAIRMAN: Mr. Izawa, anytime
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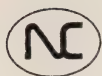


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3 you are ready we will settle down.

4 MR. IZAWA: Thank you very much.
5 This is just a brief summation and it is a
6 philosophical view and a personal view, it is just
7 my thoughts on what I want to present.

8 Although it is not the ultimate
9 solution to the problem of residential housing in
10 Ontario, Bill 51 is a very positive step. In that,
11 I, as Property Manager for landlords and developers,
12 strongly recommend that the Bill be passed with
13 very serious considerations given to the
14 recommendations of the Fair Rental Policy
15 Organization of Ontario.

16 There has been much discussion
17 on specific items in Bill 51 which are both
18 negative and positive. In general, this type of
19 legislation is required since it is, I believe, a
20 light at the end of a very long, dark tunnel. As
21 agent for landlords and developers for the past
22 12 years, I have seen rent control policies in
23 Ontario reduce maintenance on buildings, hinder
24 developers from building, availability of rental
25 housing becoming scarce and employers totally
eliminating their association with rental housing
in any form. I have seen and I am aware of the



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3 very close associates that could not survive with
4 rent controls and have left this field completely.
5 These individuals, if they were not stymied by
6 rent controls, and if given the opportunity to
7 increase revenue in proportion to costs, would
8 still be building today and providing housing.

9 Furthermore, Bill 51 has many
10 positive items for landlords and tenants, and it
11 is a good step towards fairness for all, but unless
12 rent controls are completely removed, personally,
13 there will not be the opportunity for anyone,
14 especially the entrepreneurs, to have the
15 opportunity to be successful in the housing
16 industry.

17 I have always had ambitions and
18 would like the opportunity to be successful in the
19 housing industry. I cannot see, at this time, that
20 this area would be very feasible for myself with
21 rent controls involved.

22 This is the land of my forefathers
23 and I have always seen free and with the opportuni-
24 ties always available for anyone and everyone to be
25 successful. Canada is a free, democratic and
capitalistic country which does have serious
concerns for the socially depressed, but I believe



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3 that we must give the initiative back to the
4 people who are willing to take the risks. There
5 cannot be a society in which abuses can be made to
6 our social programs. Some form of subsidized
7 housing must be provided for those truly in need.
8 There are, however, situations where social aid
9 recipients who have housing provided have no
10 intentions or initiatives to raise their standards.
11 Perhaps if it was not as easy to lie back and
12 allow governments to provide their housing, they
13 would seek better education and seek out more work,
14 perhaps not to their liking, but still would
15 provide a living. I do not propose that I have
16 the answers. I can only speak from experience with
17 rent controls that do not work. They restrict
18 business people from entering this field, and the
19 ones that are in the field believe they reduce
20 the availability to all tenants and persons of
21 little means to suffer and allow the middle
22 class to benefit. The government, as I am sure,
23 is looking at the total future of Ontario in
24 relation to housing. We must eliminate abuses
25 on both sides and provide for the truly needy and
allow for opportunities that allow a person to be
as successful as his abilities can take him or her.



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3 In conclusion, I commend this
4 Committee and the government for the direction
5 that is has taken in allowing all parties concerned
6 to become involved. I hope that this is a stepping
7 stone for future, fair progress and that the hopes
8 and dreams of all concerned may be reached. I
9 believe that only through committees such as this
10 and continually educating the whole populace of
11 Ontario to the crisis situation that Ontario finds
12 itself, can a social, economic and political
13 solution be reached.

14 I thank this Committee for the
15 opportunity to make this summation.

16 THE CHAIRMAN: Thank you, Mr.
17 Izawa.

18 Do any Committee members have
19 any questions?

20 MR. PIERCE: I have one question
21 and maybe you can clarify this for me.

22 You seem to indicate it isn't
23 very feasible to build units. You say, at the
24 top of Page 2:

25 "I have always had ambitions
and would like the opportunity
to be successful in the housing



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industry. I cannot say at this time that this area would be very feasible for myself with rent control involved."

You will note there are rent controls involved and they are going to stay on and you give the indication that it is not feasible. You support the Bill?

MR. IZAWA: Yes, sir, I do.

MR. PIERCE: I suggest a lot of people would suggest it makes it more feasible. Maybe not as profitable, but feasible. I was just wondering where you stand.

MR. IZAWA: What I meant by that paragraph was when I got involved with this industry, I hoped to become a developer, perhaps, or get involved in another area and I would like that opportunity. I have been in it in the lower property management end of it, but I haven't been able to see where I could go on with it where that would be an economically feasible situation for me.

MR. PIERCE: You haven't been able to save up enough money to start buying some land?



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3 MR. IZAWA: That is right, and
4 to get on with this. Even if I did, I don't think
5 I would under the circumstances.

6 MR. PIERCE: Let me ask you
7 this: There are a lot of people out there that
8 are becoming involved. We have some people here
9 on the list, on the agenda today, either here in
10 London or other parts, and they are building a lot
11 of units. Some with some assistance from the
12 government and some not.

13 Are you saying — I know it is
14 a matter of risk, it is a matter of capital, but
15 it is also a matter of confidence and a matter of
16 being able to manage property?

17 MR. IZAWA: Certainly, I agree
18 with that. You must be able to do all those
19 things, but I think you need the capital firstly
20 to establish yourself and get involved and then
21 the question for myself is would I then, if I did
22 have those parameters, continue and go with it and
23 I don't think I would. Just be an ordinary
24 citizen at the present time working for someone
25 else.

MR. PIERCE: I hope you will.

MR. IZAWA: Thank you.



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MS. SMITH: Maybe you will.

THE CHAIRMAN: Any other questions? No? Thank you. Thank you very much for your presentation.

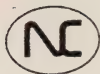
I call now on Mr. Brent Baldwin. Welcome, Mr. Baldwin.

MR. BALDWIN: Thank you very much.

THE CHAIRMAN: Anytime you wish to proceed.

MR. BALDWIN: I would first to thank the Committee for the privilege of speaking here today, and I would like to introduce myself. My name is Brent Baldwin and I'm a partner in a firm called Baldwin Realty Corp. which has been active in marketing real estate in the London area since 1967. I first became a licensed real estate salesman in 1979 and later, a real estate broker in 1981. I am an active member of the London-St. Thomas Real Estate Board, Ontario Real Estate Association, Canadian Real Estate Association, Member of London Property Management Association and the Fair Rental Policy Organization of Ontario.

The influence Bill 51 will have on me is not one of a developer or builder creating new units on the market place, but rather a marketer



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3 of a real estate investment opportunities. These
4 opportunities include bringing builders and owners
5 of prospective sites together so that new units can
6 and will be created. But most of all, my activities
7 centre around around the sale of walk-ups, triplexes,
8 and other small scale residential investments to
9 individuals and small corporations. According to
10 a recent survey done for the Ministry of Municipal
11 Affairs and Housing, this type of rental accommo-
12 dation represents in the order of 60 percent of
13 Ontario's rental stock. These properties are
14 generally owned by "Mom and Pop" operators or
15 individuals. The majority of these people can
16 only own one of these type of units and are
17 generally holding for long term investments. These
18 are not the major developers by any stretch of the
19 imagination. These are people who are not a great
20 deal unlike their tenants, working class
21 individuals, who are prepared to do the necessary
22 work to maintain an income property for the hopeful
23 gain in years down the road, whether it is some-
24 thing for them to supplement their retirement
25 package or a traditional hedge against inflation.
In retrospect, a lot of these investors wish
now that they had chosen a more passive form of



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3 investment and something less labour intensive,
4 such as bonds or mutual funds which, in current
5 years have shown great returns without the
6 liquidity problem associated with real estate.
7 This is a serious problem because a lot of these
8 investors had a substantial amount of pride in the
9 ownership of such an investment. In a lot of
10 cases, those who are getting out are being replaced
11 by less interested investors; some who are trying
12 to purchase with little or no down payment and maximum
13 leverage with no intentions of doing badly-needed
14 capital improvements motivated only by short term
15 capital gain. Others are being bought by those
16 better versed in the rent review process who see
17 opportunity at the expense of the current landlord
18 and are using every possibility to increase return
19 either legally or in some cases illegally. Several
20 of the investors that now own real estate have
21 other interests or work and neither have the
22 inclination, time, or the desire to keep abreast
23 of the ever changing bureaucratic red tape that
24 they have perceived the current rent review process
25 to be amiss with. What is needed most is consistency in the marketplace; something that the small landlord can handle relatively easily. In



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3 1983, 22.3 percent of highrises went to rent review
4 and only 8.3 percent of the owners of low rise or
5 walk-up accommodation went to rent review. As a
6 result of this, the "Mom and Pop" operators are the
7 ones who bear the brunt of financing the lower
8 income families. These landlords are the ones who
9 are being penalized the most and are probably the
10 ones who can least afford it. 1981 statistics
11 showed that 39 percent of the tenants of low rise
12 units earned less than \$10,000.00 annually, while
13 the median income in highrise was almost
14 \$16,000.00. The current controls are perceived
15 by a lot of operators as a major deterrent to
16 investing in repair and maintenance. This is of
particular importance because of the aging of this
type of stock.

17 According to recent CMHC figures,
18 less than one percent of Ontarians live in sub-
19 standard housing. I, personally, fear that we will
20 see a dramatic increase in this figure as 58 per-
21 cent of the current stock of low rise development
22 is 25 years or older and a full 90,000 units in
23 Ontario are over the age of 40. These are the buildings
24 that need major capital improvements and mainten-
25 ance.



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3 After ten years of rent controls,
4 we are finally starting to see this deterioration
5 in more and more buildings. Another five years of
6 rent controls and this problem is going to be
7 epidemic in this type of real estate investment.
8 It is quite common to hear landlords state they
9 cannot live with four percent increases and a lot
10 of them feel that the four percent control is here
11 to stay. Very few realize that the increase will
12 fluctuate with the Building Operating Cost Index
13 to compensate for the inflationary factor and
14 increases in operating expenses.

15 I know that Ontario is badly
16 served by rent controls, but the costs of rent
17 controls is unacceptable in terms of dollars. In
18 1982, the Ontario Housing Minister said that the
19 rent controls cost taxpayers between \$100 and \$150
20 million. Some recent indications have suggested
21 cost of controls today is in excess of \$200 million.
22 It costs, in additional taxes, each homeowner and
23 taxpayer in Ontario. Rent controls are
24 everyone's problem.

25 I would like to make it
perfectly clear that I feel the absolute best
possible answer for this problem would be a plan



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3 to phase out controls in the next short while, but
4 this is somewhat unrealistic given the current
5 political situation in the province today.

6 Bill 51 is possibly the best
7 solution today, and although it is far from being
8 perfect it will have to do. I respect the fact
9 that it is a negotiated settlement by concerned
10 and, most of all, informed participants. Hopefully,
11 the controls will not show a lot of change from
12 their present form and will pass with much the same
13 content as they have been presented. The major
14 concerns of both landlords and tenants have been
15 addressed and certain compromises have been made on
16 both sides of the table, but it is at a negotiated
17 answer and not one imposed by those who have
18 little or no expertise in the field.

19 What I feel that is needed in the
20 province now is a modified rent supplement program
21 to properly identify the needy and give
22 assistance where it is needed most. I think that
23 anyone paying more than 30 percent of their gross
24 incomes should qualify for assistance under a
25 program of this nature. It is not the moral
obligation of the landlord to supplement those who
are less fortunate than himself at the expense of



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3 his own net worth and that is what is happening.
4 The affordability is not and should not be the
5 landlord's responsibility. A large number of people
6 who are reaping the rewards of controlled rents are
7 oftentimes the ones who least need it.

8 Sooner or later, the government
9 of the day will have the courage to remove rent
10 controls and properly identify the problem and take
11 the monkey off the landlord's back.

12 There are cases out there that
13 will offer a blueprint for the Ontario solution.
14 Recent cases, such as France, where controls which
15 are 40 years old, are being totally phased out
16 over the next three years. The political impact
17 in France seems quite substantial compared to the
18 Ontario statistics where less than 37 percent of
19 Ontarians are tenants. In France, a full 75
20 percent of Parisian families are tenants. There are
21 recent cases here in Canada for us to examine; for
22 example, British Columbia and New Brunswick, who
23 have recently dropped controls. Bill 51 is not
24 the solution. I believe it is the best short term
25 opportunity available to us now until such time as
controls are abolished.



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3 One positive feature that has
4 come out of this debate is that the industry is
5 no longer divided between controlled and uncontrolled
6 landlords. The industry is finally united and will
7 prove to be a force of influence. Developers,
8 syndicators, investors, lawyers, accountants and
9 brokers are for the first time working together.

10 When I read in the paper comments
11 and ultimatums given by supposedly responsible
12 people like Toronto Counsellor Kay Gardner
13 reminding the Committee that elections are coming,
14 it leaves a very bad taste in my mouth. Elections
15 may very well be coming, but let's work this through
16 with common sense. As I have stated before, I know
17 that Ontario is badly served by rent controls, but
18 the long hours of negotiations with both tenants
19 and landlords probably best provides as equitable
20 solution as possible for what will hopefully be the
21 short term.

22 THE VICE-CHAIRMAN: Mr. Baldwin,
23 I guess there are no questions as a result of your
24 presentation.

25 Thank you very much. We will be
taking your remarks under consideration.

Mr. Bill Armstrong of the
Tenants Protection Association.



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MR. ARMSTRONG: Bill Armstrong was unable to attend, but he asked me if I would say a few words.

THE VICE-CHAIRMAN: What is your name, sir?

MR. ARMSTRONG: John Armstrong.

THE VICE-CHAIRMAN: Proceed if you are comfortable.

MR. ARMSTRONG: In view of the fact that almost every submission you have heard this afternoon has been from the landlords' lobby, it might be good to hear something from the tenants point of view.

First of all, I would like to make it clear that in view of nearly all the tenants I have spoken to, this much vaunted cooperation between a hand picked group of smart landlords and their legal advisors and the tenant is just a myth. These tenants no more represented the tenants of Ontario than I represent the Conservative Party.

MR. PIERCE: It is possible.

MR. ARMSTRONG: For instance, a man, and I shan't mention his name, who represented the Committee from London, he lives in a high priced apartment and he was speaking for a group of



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3 possibly 150 tenants in London Towers and their
4 concern was not their rents. Their concern was
5 the apartment was going to be turned into condo-
6 miniums.

7 So, disabuse yourself of the
8 idea, particularly you, Mr. Curling, that this was
9 a big deal. It was not. The tenants were
10 swindled. I doff my hat to the one man who had the
11 courage to refuse to sign. The lady who is
12 co-chairman is a salaried lawyer. She isn't even
13 a tenant. The whole thing was a farce; cute, smart,
but still a farce.

14 Now, I made a few notes here.
15 These landlords covered a lot of ground. One
16 person read you a long list of newspapers who were
17 opposed to rent controls. Well, everyone knows
18 that a substantial portion of the newspaper's
19 revenue comes from the advertisement of developers
20 and builders and landlords. All you have to do is
21 look at your Toronto Star on a Saturday. Millions
22 of dollars a year they spend on advertising. So,
naturally, they are going to support where their
bread and butter comes from.

23 Now, as far as honesty of the land-
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3 lords is concerned, I know we have a group of
4 honest landlords here today, but I can assure
5 this Committee that we have a very large number
6 of dishonest landlords in London who have been
7 charging illegal rents going back nine years.
8 We have the proof of that. As a matter of fact,
9 Mr. Bill Armstrong has assisted many tenants to
10 collect as high as \$3,000.00 of overcharged rent,
11 and I might add this was done without hardly
12 any cooperation from the Residential Tenancy
13 Organization. All we got from them was stone-
walling, obstructionism.

14 So, I will get back to 51, Bill
15 51. The thing that I most object to there is
16 why should these people who broke the law of
17 the legislature be given an amnesty? They owe
18 hundreds, sometimes thousands of dollars, hundreds
19 of them. The total amount would probably be
millions that they owe to the tenants.

20 Now, this Bill suggests letting
21 them off the hook. If you had a parking ticket that
22 was seven years old, you wouldn't get off the
23 hook. You would pay it or else you would go to
24 jail. These people are lawbreakers. The law
25 stated expressly the maximum rent. Believe it or



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3 not, one person owed \$5,000.00. They can't take
4 it to the Residential Commission. You have got
5 to take it to District Court.

6 To give you an idea of the type
7 of people you are dealing with, there is a landlord
8 in town here, very big. I won't mention his name.
9 He actually has a contract with the federal
10 government to house this never ending stream of
11 immigrants that keep coming in and who are, by the
12 way, partially responsible for the shortage of
13 apartments. The government should be reminded of
14 that.

15 MS. SMITH: We will remind the
16 Minister.

17 MR. ARMSTRONG: Mr. Clifford,
18 our Federal Member, stated publicly in the press
19 there are several hundred immigrants trickle into
20 his Riding. Now, these people have to be housed,
21 and one of the reasons for a shortage of housing
22 is the fact that in the last ten or twelve years
23 there have been hundreds of thousands of
24 immigrants come in and they have got to be housed.
25 They create pressure on the rental market.

THE VICE-CHAIRMAN: They work,
too.



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MR. ARMSTRONG: Of course, they work. I am not trying to blame them for trying to better themselves by coming. I am blaming the federal and provincial government who invite all kinds of people in but make no provision for housing them.

THE VICE-CHAIRMAN: Mr. Armstrong, ...

MR. ARMSTRONG: Wait a minute.

THE VICE-CHAIRMAN: Order, please. You may not agree, but we have -- this is a democracy and everybody can express their views.

MR. ARMSTRONG: I can swallow most of your Bill 51 because I really don't care, but I don't like the idea of letting a bunch of crooks and basically criminals who overcharge their tenants in contradiction of the law to get off scott free.

THE VICE-CHAIRMAN: Thank you, Mr. Armstrong,

MR. ARMSTRONG: Any questions?

THE VICE-CHAIRMAN: I think you may have roused a little interest in the Committee, so I think you for waking the Committee members up and I will start with Mr. Epp.



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MR. EPP: Sir, what did you say
your name was?

MR. ARMSTRONG: Armstrong.

MR. EPP: Armstrong.

MR. ARMSTRONG: The reason I am
not prepared is the person who was supposed to be
here was unavoidably detained; not by the police,
I assure you.

I had nothing prepared.

MR. EPP: I wondered whether you
really recognized the importance of having
cooperation between the landlords and the tenants.

As you know, we have had
confrontation after confrontation and Bill 51 is an
example of some very hard work by some very
intelligent and well meaning tenant representatives
and landlord representatives getting together over
a long period of time and working out what I see as
a very comprised solution. Now, it may not be
perfect, you know, but none of us are Solomon.

MR. ARMSTRONG: Well, I see
nothing but loss for tenants in this so called
compromise. Let me put it to you this way: If
there is a ten percent increase per annum, and you
have got a million, 100,000 tenants and the average



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3 rent is \$350.00 or \$400.00 a month. Stop and
4 figure out what you are doing. You are trans-
5 ferring about \$250 or \$300 million from the pockets
6 of the tenants to the pockets of the landlords.
7 That is what you are doing. Mr. Church isn't
8 with you, is he?

9 MS. SMITH: Not today.

10 MR. ARMSTRONG: No. He's the
11 first man I ever heard of who could multiply two
12 and two and come up with five, because he took
13 exception to the figures. But, for Heaven's sake,
14 a million and 100,000 tenants, if you increase
15 their rent by ten percent, the average rent is
16 \$350.00 or \$400.00, what is the result? I am not
17 a betting man. We have no fault with the six
18 percent, even though it was -- what do they call
19 it? -- the bankers have a word for it.

20 MR. PIERCE: Inflationary?

21 MR. ARMSTRONG: No. I forget
22 the word for a minute, but the six percent was
23 every year ...

24 MR. CORDIANO: Annual increase.

25 MR. EPP: Fixed.

MR. ARMSTRONG: The tenants
could live with that but under this deal here with



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and RCCI and RRAC...

MR. EPP: You have been
listening to Mr. Reville.

MS. CAPLAN: If I may, Mr.
Chairman ...

MR. ARMSTRONG: I saw Mr. Reville in
the House on TV, it came on TV and I was very
much impressed and I hope you keep on fighting.

MR. REVILLE: I will do that.

THE VICE-CHAIRMAN: Do you see
me? I sit next to him.

THE CHAIRMAN: Mrs. Smith is
next.

MS. SMITH: Looking at your Tenants'
Protective Association, Mr. Armstrong, I gather it
is more a business than what the name might imply?

MR. ARMSTRONG: It is clearly
and unequivocally a business. By the way, a busi-
ness of which I don't have a red cent.

MS. SMITH: You are representing
Mr. Bill Armstrong who is with the Tenants' ...

MR. ARMSTRONG: He was in business
trying to recover illegally charged rents for the
tenants and I can assure you it is not very
lucrative.



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MS. SMITH: Does he do it on a percentage basis?

MR. ARMSTRONG: That is right, and he is lucky ...

MS. SMITH: It is not lucrative?

MR. ARMSTRONG: No, unfortunately, it isn't. They have the books to prove it.

MS. SMITH: Since you have been in the business of controversy, that is your business, his business, in a sense ...

MR. ARMSTRONG: It is a controversial business, yes.

MS. SMITH: Would you agree this new Bill we are putting forward is trying to get away from that controversy and make it more possible for the tenants to deal with the landlords and with the situation in a less controversial and more direct way? This is certainly the intention of the Bill and I believe it will accomplish this. They won't have to be into this heavy controversial arena.

MR. ARMSTRONG: Call it what it is -- charging illegal rents. They won't have to be in that.

MS. SMITH: I'm talking about



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3 going ahead into the future. I can understand you
4 and your business are most reluctant to see all
5 these cases not available for you. (Applause).

6 But, basically, I agree with you.
7 It is too bad we can't make everybody pay up. I
8 think it is purely practical -- in your business
9 you must realize, I think there are some tremendous
percentages ---

10 MR. ARMSTRONG: It is not my
11 business.

12 MS. SMITH: There are hundreds
13 of thousands of landlords who got away with
14 illegal rents.

15 MR. ARMSTRONG: You bet there
16 are.

17 MS. SMITH: If we had to hire
18 people to chase them up and collect ...

19 MR. ARMSTRONG: We do that.

20 MS. SMITH: Maybe we couldn't
21 afford your fees.

22 MR. EPP: What is your retainer?

23 MR. ARMSTRONG: Fifty percent
24 of what is recovered.

25 SEVERAL SPECTATORS: Boo. Boo.

MR. ARMSTRONG: No apologies. If



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someone owes you money and go through a collection agency, they charge you 35 percent. If you go through a lawyer, you will have nothing left. At least with us, you get 50 percent.

MS. SMITH: I hope -- I realize that it is not to your advantage in your business.

MR. ARMSTRONG: It is. I like to see justice.

MS. SMITH: Hopefully, this Bill will make it less necessary for people to go through this course and be able to work more directly. This is part of the intention of the Bill. You implied that they get 50 percent with you rather than nothing. Hopefully, we are setting up a system where people will get more than what is their due. First step.

MR. ARMSTRONG: Where they won't have to pay any illegal rent.

MS. SMITH: Where they will now be assisted and helped by the Government in a less court-like setting to get what is their due.

MR. ARMSTRONG: Do you think it is necessary to bribe these -- we're not talking about these honest people behind me. We're talking



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about dishonest people out there. Do you think it is necessary to bribe them with six years of free illegal rent in order to get them to register?

MS. SMITH: Unfortunately, yes.

MR. ARMSTRONG: Mrs. Smith, you have got your car registered.

MS. SMITH: These people, as you say, are already cheating on the system, so we are not talking beyond -- you have said this yourself, this is the group you are now talking about. The ones who are presently breaking the law and so you have to try and say them, "We are going to make it tougher for you to keep breaking the law ..."

MR. ARMSTRONG: We will let you free for the six years past.

MS. SMITH: There is a statutory time before they get free anyway. I don't know how many we would catch before that.

MR. ARMSTRONG: Leave that to us. Thank you very much.

THE CHAIRMAN: Rentbusters. And that concludes the afternoon's Hearing.

We now have time to adjourn for supper. Come back again at 7:00 p.m.

--- WHEREUPON HEARING ADJOURNED AT 4:50 p.m.



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3 --- UPON RESUMING AT 7:08 p.m.

4 THE CHAIRMAN: The Committee will
5 come to order. We have almost a full agenda this
6 evening. I am told that the first presentation by
7 Mr. Fontana has been tabled with us and, as a matter
8 of fact, I have a copy of it. We will take it as
9 an exhibit tabled with the Committee and if the
10 person scheduled for 7:20 is here, Mr. Glen Sifton,
11 is Mr. Sifton here? We can start. It is not often
12 we start ahead of ourselves.

13 MS. SMITH: I don't think he is
14 here. Welcome to the Committee.

15 MR. SIFTON: Thank you, Mr. Chair-
16 man.

17 THE CHAIRMAN: The Committee has
18 a copy of your brief.

19 MR. SIFTON: I am probably going
20 to be slightly longer than my 20 minutes by a
21 minute or two, I think, although I did try to keep
22 within reason.

23 I would like to welcome you to
24 London. It is a shame you are not getting to see
25 very much of it except the inside of this building
which isn't totally representative of the entire
city.



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3 THE CHAIRMAN: Once this Committee
4 adjourns, we will see a lot of the town.

5 MR. SIFTON: Hopefully, a bit of
6 the suburbs, as well.

7 My name is Glen Sifton and before
8 I get started I probably should outline some of my
9 involvement in the process to date so everybody
10 is clear, hopefully, on the hats that I want to wear
11 tonight. I am a founding Director of the Fair
12 Rental Policy of Ontario, I am a landlord member
13 of the Residential Rental Advisory Committee
14 appointed by the Government in an attempt to reach
15 consensus on rent review and rent control, and I,
16 therefore, support the RRAC agreement in Bill 51
17 as it relates to the agreement. I believe that
18 the agreement was historic. I have heard quite a
19 bit of conversation bantered around about whether
20 it was or not. I am not sure that it was totally
21 unheard of coming slightly behind the Bible, but
22 I think it was historic. (Laughter).

23 It was one in my heart of hearts
24 that I didn't think was possible, and I expressed
25 that feeling when I was asked to join the Committee.
I basically indicated I expected that I was
certainly prepared to contribute but I thought I



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3 wouldn't be there very long, because the Committee
4 wouldn't be there very long. I was wrong. The
5 process worked, an agreement was reached. I think
6 it was also wrong in the amount of time and effort
7 that was required. I have put in probably less
8 time than almost any of the other landlords, given
9 my lack of proximity to Toronto and certainly
10 less than many or almost all of the tenants given
11 their proximity to Toronto.

12 So, it has been a very intensive
13 thing. Obviously, I am committed to the agreement
14 and I believe more strongly now in the potential
15 that brought it about that I certainly did before
16 we went into it.

17 Having said all that, I am not
18 here to talk on behalf of RRAC or Fair Rental,
19 or the Rent Advisory Committee. I am also the
20 President of a group called the London Development
21 Institute, which is a developer organization mainly
22 interested in municipal contact in the City of
23 London. The group has excellent communications
24 with the staff and administration of the city. We
25 are generally consulted on policy and other general
issues affecting the development industry. The
industry has found this affecting the development



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3 industry. The industry has found this contact
4 beneficial since both sides can explore problems
5 and solutions and mutually acceptable solutions
6 generally result. A much more cooperative approach
7 is, therefore, achieved.

8 For example, our industry, as an
9 industry, has not had to appeal any zoning by-laws
10 of official plans in the City of London for a fair
11 number of years, I believe at least seven, although
12 of course individuals have appealed specific ones.

13 I am also a member of the London
14 Home Builders Association, which as you are probably
15 aware, is a chapter of the Ontario Home Builders
16 and the Canadian Home Builders, and I have been
17 asked to speak on behalf of both those groups and
18 to try to keep the number of speakers down, I
19 reluctantly agreed to do that although that is not
20 my main presentation.

21 As I said, I was going to bring
22 a bag of hats to try and keep them straight, but
23 first, if I could speak on behalf of the London
24 Development Institute and London Home Builders, I
25 believe that it is reasonable to say that they
both support the compromise achieved by the
tenants and the landlords. They are both, in



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3 principle, opposed to rent review but they recognize
4 that there is such a thing as reality and that
5 dictates that at least in the short term in their
6 minds hopefully in the short term, a workable
7 compromise better than a system invented to solve
8 an 18-month Toronto-based problem, a system which has been in
9 place now for ten years, notwithstanding it was
10 temporary, and a system that works poorly
11 from both the landlord and the tenant perspective.
12 Both groups would take issue with certain aspects of
13 the accord, except that they have recognized again
14 that a little time-worn phrase, it is a delicate
15 balance, that it is an improved system for all those
16 affected, that it is a test of the political/social
17 process in the province and a reasonable indication
18 of the future for our industry, and also
19 importantly, that there is a potential for
20 re-opening communication with our tenants and
21 ourselves. That is something which has been lost
22 over the last ten years, largely as a result of
23 the confrontation required by the process. And
24 also, it should bring about what our industry had
25 been craving which is a sense and a feeling of
security or a feeling that the rules will at least
be constant.



misleading CMHC vacancy rate is well below one percent and I say it is somewhat misleading, I don't think it is deliberately misleading in any way but it has taken, as we mentioned earlier, a strange time of year and we are going to deal with the student population. It was taken on the basis which does not count vacant buildings for a period of time, new empty buildings for a period of time and it is taken on a basis which, if I am occupying a unit and my lease is coming up and I am moving to a new location, and a house I had to lease over there, there is just some total number of vacancies when, in fact, obviously there is at least one vacant unit in the process.

In most other ways, London is very similar to all other municipalities in the province, at least, except possibly the general Toronto marketplace. Unfortunately, the reality of life in this province appears to be that once you work in Toronto you seem to forget that Ontario is a province and not a city. Rent controls were imposed in this province because of a minority government and a powerful tenant-NDP lobby, all based in Toronto. Rent control remains



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3 in this province due a lack of politic will and a
4 powerful NDP/tenant lobby. Landlords are only
5 beginning to realize that they have power and
6 rights and have just begun to exercise both. The
7 Fair Rental Policy Organization is an example of
8 this as a recognized voice of industry. Neverthe-
9 less, all responsible landlords and developers must
10 be aware of reality. They have been mired in it
11 for ten years and with almost any logic, the worst
12 they can say is that the accord is an improvement
13 over the existing system; not just for tenants, but
for landlords.

14 I indicated to you that I had
15 reluctantly agreed to put forth the LDI, LHBA
16 position to you today. The reason for that is
17 what I really want to do is put to you the position
18 which pays my salary which is the President of
19 Sifton Properties Limited, a company involved in
20 land development, for sale housing, office,
21 industrial and shopping centres, and rental
22 housing. Really, I would like to speak in that
23 capacity. I should indicate that I passed my
24 comments by both London Development Institute and
25 London Home Builders and several other independant
people and I found, I guess to my distress, I



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3 thought I was unique and I found I was not unique.
4 They felt that the examples and cases I was going
5 to give they had generally experienced, as well.

6 We are virtually a family-owned
7 company with over 98 percent of the shares in the
8 hands of family members. This is a third generation
9 company which has been around since the early 1920s.
10 We have extremely competent staff who are very
11 aggressive about growth and very aggressive about
12 the future. We are very interested in quality in
13 our developments, and as an example, of our commit-
14 ment to quality and any building we build, whether
15 it is an apartment or a townhouse, or a condo or
16 office building or shopping centre, has a brick at
17 the front door with my last name in it and I want
18 to be able to walk in that front door and feel good
19 about that project. So, we are committed to quality.
20 Quality doesn't mean expensive. Quality means
21 comfortable, safe and value for your money.
22 Basically because we are a private company, I don't
23 want to give out financial information, but I thought
24 maybe, although you have heard much of this
25 before, I thought maybe I would give you some details
of the growth, the difference in growth between
our residential rentals over the last period of



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3 time and square footage in office buildings or
4 shopping centres. In the ten years until 1976, we
5 built approximately 2,600 units of rental accommo-
6 dation for our whole portfolio. From '76 to '84,
7 we built none and sold over 200 units. In 1985, we
8 bought one apartment building with 307 units.

9 So, from 1976 to 1985, we
10 increased our portfolio by net 86 units (a three
11 percent growth, that is three percent over the entire
12 period), and didn't build a single unit for our
13 portfolio. In addition to this, we manage
14 approximately 1,150 units where this market didn't
15 exist in 1975 - '76.

16 As I said earlier, I'm not sure
17 that is totally a positive thing for the province.
18 In office/shopping centres, we have grown from
19 about 200,000 square feet to 610,000 square feet
20 during the '76 to '84 period and about 710,000
21 square feet by the end of 1985. This represents a
22 growth of 355 percent compared to three percent.
23 The majority of this growth, talking
24 of shopping centres and offices, was built, not
25 purchased.

There was really only one reason
for this fact, of course. The climate was such



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3 that we were able to justify our investment in one
4 area and not another. It was largely due to the
5 fact we did not believe rent controls were here for
6 18 months, and we were quickly proven correct. We
7 also did not believe rent controls were to apply only
8 to pre-'76 buildings despite promises to that
9 effect. Again, we were correct. I don't want that
10 to sound like we were super intelligent. We
11 weren't. It took us 18 months to figure out what
12 the system was going to do and how it was going
13 to work and at that point in time, it was supposed
14 to have ended and it didn't, so we were already
15 50 percent right. We couldn't be any worse off
16 than that. We had no evidence that would make us
17 change our mind for the entire 10-year period, so
18 we just stuck to our position and ultimately we
19 ended up correct, sadly. There were lots of other
20 reasons, too, of course, but that was the reason
21 that we philosophically said we are not going to
22 get involved because we are concerned about what the
23 rules will be. Other reasons, in London, at least,
24 post-'75 buildings, up until the last few years
25 were under a very strict rent-control system, not
rent review but rent control. They were competing
with a marketplace that was under rent review and



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3 they were rent controlled with no appeal and no
4 process that allowed you to get to the market
5 rent and no market rent to get to. So, that is
6 another factor, of course, that helped hold down
7 construction.

8 I consider our company a small
9 landlord; yet by most definitions we are considered
10 among the large. We dealt with rent review and went
11 to hearings on some units relatively early in the
12 ten-year period. We were intimidated by the lack
13 of logic and by the fact that proper and efficient
14 management was penalized over inefficient and
15 improper management, less professional management
16 was rewarded, by the fact the legislation encouraged
17 confrontation and forced us to go head on head
18 with our customers and our customers with us, by
19 the fact that a profit was not even contemplated
20 by the system and, indeed, was somehow improper, by
21 the lack of speed and the lack of clarity. That
22 is just a short list.

23 With few exceptions, we chose
24 not to go again even though increases above
25 the guidelines were granted in every case in which
we went in that early series of applications. One of
the exceptions where we did go more than once was



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3 a complex known as Southwest One here in London. It
4 barely fell under rent review, being partially
5 occupied, very slimly occupied at the time when rent
6 review was introduced. Although construction was
7 not completed until 1976, it was the luxury complex
8 in London. In most aspects, it still is. It is
9 two storeys high, two series of buildings with 90
10 units, all underground parking, elevators even
11 though it is only two storeys high and so on. A
12 great location with good amenities. It lost money,
13 cash money every year from 1976 to 1984 even though
14 we went to rent review a number of times. In 1984,
15 in this luxury building, the best in the city, in
16 my opinion, and still in 1984, nine years after it
17 was built, we finally broke through the \$750.00
18 ceiling and we instituted substantial rent
19 increases. Rent increased applied to up to 90 units,
20 a great number of the 90 units escaped during the
21 one-year period and I had one tenant who came to me,
22 one complaint about the rent increases and the
23 complaint really was can you give me a deal? It
24 wasn't it wasn't right or not reasonable, just give
25 me a deal. The individual couldn't justify any
reason, so we said no. He signed his lease,
actually, he didn't sign the lease, but he continued



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3 in occupancy at the new rate we had requested and in
4 that year we made money for the first time on that
5 project. Unfortunately, at the time, the \$750.00
6 ceiling developed a meaning in Toronto so the
7 solution was to change the rules. Again,
8 unfortunately, it was not to worry about London
9 where \$750.00 represented the high end of the
10 product or Sarnia, for example, with high vacancies
11 where \$750.00 is totally meaningless or all those
12 areas where \$750.00 doesn't make an affordability
13 problem and that was in reaction to Toronto and
14 Toronto property. Now, we have tenants like every-
15 one else in the province, only in our case, we have
16 tenants paying less than half of what others pay
17 for identical units.
18 Who is the villain? I get phone calls and I must
19 confess that in my communication I must put the
20 blame where I believe it belongs, at Queen's Park.
21 I don't believe it is the tenants fault or my fault.
22 Incidentally, I have many calls compared to the ones
23 I got over the increases, I had many calls, including
24 one from the same tenant over the issue of unequal
25 rents and without exception the tenants that have
called have been the ones paying the higher rents and
without exception, in this particular case, not one



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3 tenant has said they are paying too much. They all
4 felt they were paying an appropriate amount. Others
5 were paying too little.

6 I compare that to the fact that I
7 only had one complaint about the rent increases which
8 were imposed. I have been reading the transcripts
9 from your Hearings as I have received them, as the
10 post delivers them, and it is interesting to note
11 that some of the things which are appear to be
12 major concerns, such as equalization, are things
13 which will improve landlord/tenant relations
14 and are being opposed most strongly by tenant
15 advocacy groups which seek to perpetuate themselves.
16 There is no logic to identical units paying
17 different rents and I did hear conversation earlier
18 today about seniors being allowed to pay less and
19 I'm not referring to that. If that is the choice
20 between the landlord and the tenant, that is fine.
21 There may be logic to that, but there is no logic
22 to identical units paying different rents just
23 because they are paying different rentals and this
24 is one of the areas where our firm has substantial
25 amounts of communication with tenants and the
communication is unsatisfactory to both parties.

We have several one-floor town-



homes in London and Guelph and they generally attracted older people and most especially seemed to attract handicapped people. Where this used to happen, we used to build ramps for access, widen bathroom doors, lower cupboards and counter-tops, et cetera. We didn't charge the individual tenant for this. Normally, they couldn't afford it. It was a cost of doing business and I guess it came out of general rental revenues. We never really thought about it. We also didn't ask for long leases or anything. They would move out in a year and we would turn them back to a unit that a senior could occupy rather than someone who is handicapped. I am embarrassed to say we wouldn't do that today, primarily because we must now be so cost conscious and because we can't recover our costs without a hearing to justify them and, secondarily, because the other tenants are not accepting the fact that they were subsidizing someone else's rent even though someone else happens to be disadvantaged. It was fine when we did it and we were able to it quietly, but now we must publicize the matter and it is no longer worth the aggravation, quite frankly. It is not a system that we should be proud of. To think that the province has devised a system that



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3 means we must treat our tenants as a mass rather than
4 as individuals, because the rules won't permit it is
5 pretty depressing.

6 The system didn't consider the
7 long run, either. Some of our units are over 20
8 years old. That is not old, of course, but without
9 continuous maintenance the downhill deterioration
10 begins rapidly. If landlords are penalized for
11 making repairs, they will obviously hold off repairs
12 and penalties are in the eye of the beholder and as
13 independant entrepreneurs, as most landlords are,
14 even going through a process to obtain approval
15 can be a penalty. It restricts freedom and opens
16 up what some view as private information to public
17 scrutiny. For example, we routinely ask our
18 prospective tenants for their incomes, a great many,
19 a great many are insulted and refuse, yet as
20 landlords we are required to provide full disclosure
21 of our finances for rent increases. Please
22 understand, I'm not trying to argue against rent
23 review. It is not the purpose and today I recognize
24 rent review is here and it is going to remain here
25 for a while and it is a fact. I am trying to
indicate that it is not just a one-sided issue of
strict consumer protection legislation.



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3 For every action there is an
4 opposite and equal reaction. Sometimes the reaction
5 is not so equal, but there will be a reaction. It
6 is a long and complicated mess which this province
7 has achieved mainly through politicizing the issue
8 rather than dealing with it for the good of society.

9 Personally, I view this as the
10 politicians' last chance for our company in respect
11 of construction of rental property. If the accord
12 becomes law with a minimum of grandstanding, then
13 I have faith that we may have some continuity and
14 consistency in the law and we must have that if
15 we are to produce the product with such a long
16 shelf life. Will I build? I notice that question
17 has been asked in the past. Obviously, there are
18 many factors to consider; construction costs,
19 financing costs, economic rents, vacancy rates, and
20 so on. These items being in place, the difference
21 will be made in the treatment of the accord. I
22 am speaking personally. If the accord is treated
23 with respect and if it is recognized that the
24 accord represents something that is the best
25 compromise possible and dealt with in that light,
that I would be prepared to build. I would hope
that I would be able to build without any assistance.



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3 If the accord is rejected or stripped of its
4 balance, then I don't believe that anything the
5 province could offer me to induce me to build
6 would interest me in building in this province.
7 That is the position we have taken over the past
8 ten years and I am afraid we probably would have
9 to maintain it. I am somewhat close to the subject
10 and felt I could be biased and probably am biased,
11 so I asked several other Southwestern Ontario
12 apartment and townhouse operators and landlords
13 for their opinion. The majority have relatively
14 little knowledge of the accord, they have even less
15 knowledge of Bill 51, yet they have all stated
16 what they want to do is build and all they need to
17 build is have a feeling the system is fair, equitable
18 and consistent, and most importantly consistent.

19 I have several concerns with Bill
20 51, areas where I feel the accord did not address,
21 the legislation does not follow the accord. One is
22 the treatment of pre-'76 buildings, the consensus
23 addressed chronically depressed rents on a tentative
24 basis and the Bill tightens the noose on these
25 units even more than that approach in the accord.
It has made chronically depressed units virtually
academic. So few units will qualify that it
is virtually pointless and



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3 almost causes the landlord to increase cynicism
4 rather than providing any benefit to him. Changing
5 some qualifiers might help somewhat, but it must
6 be remembered that the purpose in dealing with
7 chronically depressed rents was to assist those
8 in the business of renting accommodation who have
9 substantial problems. To define those problems as
10 so severe that no one qualifies is rather meaningless.

11 Secondly, there is no recognition
12 of the need for a rate of return on pre-'76 buildings.
13 There seems to be an assumption that since they have
14 been under the system for ten years, they must be
15 doing fine. They are somehow "third class"
16 buildings and, therefore, ignored. The big problem
17 with this, the big problem really, I am sure, is
18 the pain and we have to deal with it as far as
19 pre-'76 owners and the big problem beyond that is
20 the fear that soon 1976 buildings will be ten years
21 older and they will be treated like pre-'76 are
22 being treated now and they are firmly in place and
23 cannot be removed.

24 Another problem is the Bill does
25 not address the short-term affordability problem.
In the long run, with construction, a solution will
occur but in the short term, the Bill really does



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3 not face the issue.

4 If I can change hats just for a
5 paragraph here to RRAC member. I was amazed at
6 the degree of landlord/tenant consensus on the facts
7 that the affordability problem was real for
8 economically disadvantaged individuals and families
9 and this problem is not a problem of landlord
10 versus tenant. It is a problem of landlord and
11 tenant versus society. And for that you can read
12 Queen's Park. It is a social problem which
13 society must face and resolve. I fear that one of
14 the RRAC Committee mistakes is certainly one of
15 the most serious ones in my mind and that is we did
16 not ensure that consensus with respect to respon-
17 sibility for affordability problems was on the
18 front cover of the report rather than on Page 19
19 buried under other items.

20 Back to my Sifton Properties hat.
21 I'm concerned that new owners are responsible for
22 old owners' errors and omissions, private agree-
23 ments, and illegal rent rebates. I am concerned
24 that the Bill oversteps the bounds of property
25 owners' right to manage. I do accept that there
are very few owners who act as though they are
land lords and that is in two words and treat



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3 tenants as though they have no rights. This should
4 be corrected, but to push on to the point where
5 they may be required joint decision-making over
6 risk investment when only one party puts the cash
7 up front is totally improper.

8 I'm concerned about retroactivity.
9 This was a given of the Liberal/NDP accord and was
10 outside RRAC's mandate, but it is wrong. We have
11 now been operating for a year under rules which
12 don't exist and which substantially change the rules
13 especially for post-'76 buildings. We are now
14 required to send out notices of increases for
15 January by the end of this month based on a non-
16 existing formula and strictly speaking, illegally.
17 In fact, there is a legal way to do it. It requires
18 me to send out a notice for six percent and then to
19 send out at the same time a Notice of Application
20 for Rent Review and get the tenants all excited,
21 have them misunderstand the system, or I can send
22 out a notice now for six percent and an application
23 to go to rent review at the same time. I can send
24 that out now if I like and I can wait and see what
25 the formula allows and hopefully be allowed to
withdraw the rent review and collect only the
formula, but I am not going to do that. I'm just



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3 just going to send out notices for six percent and
4 a letter that says we will collect what the formula
5 allows. Strictly speaking, that is not legal. I'm
6 not too happy about acting that way, but it is too
7 complicated the other way. It does little for
8 industry confidence. It doesn't assist the tenant
9 at all. It leads to mass confusion, it leads to
10 more confrontation and a further deterioration of
11 landlord/tenant relationships.

12 I'm concerned about the
13 Residential Rental Standards Board, but I believe
14 there is a need for such a board and I believe a
15 system can be devised which will work but again it
16 must be a positive experience for all parties.
17 The Board should be industry directed, like the
18 Hudac Warranty Board or most other industry policing
19 bodies. The Board must be concerned with minimum
20 health, life safety issues ensuring that there is
21 a certain minimum standard of accommodation. It
22 should be province wide and, upon complaint, enforced
23 anywhere in the province. Its primary focus
24 and powers should be sufficient to ensure
25 compliance rather than to penalize non-compliance.
These things, to me, are a few of the more basic
items. The main concern, of course, is fear of the



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3 unknown, a lack of comfort with the future. I would
4 hasten to add that it is not through a lack of
5 effort on behalf of the tenants or landlords on the
6 RRAC Committee. There are some differences of
7 opinion. We are still working on those differences
8 of opinion, but I still believe that the necessary
9 results can be achieved by the Advisory Committee
and presented to this committee, time permitting.

10 I wanted to end on a positive note.
11 The accord accomplished many, many positive things.
12 The beginning of dialogue, a system with balances
13 and wins for both sides. If you have the right
14 attitude, there is a win-win document, no matter
15 what else may be said. I have been impressed or
16 depressed by a lot of the presentations that have
17 been made, not so much here today but in Toronto --
18 I have attended a few in Toronto and I have been
19 depressed really because everybody seems to be
20 coming along and saying "I have a half empty glass
21 here and that is not satisfactory." What, in fact,
22 everybody has and they don't recognize it is a
23 half full glass and it has got something here for
24 everybody. I can't get over that approach that is
being taken. If it is to remain a win-win
document, it must have something in it for every-



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3 body. Things such a Rent Registry, costs no longer
4 borne, rent increases allowed, maximum legal rent
5 and even the old friends, RCCI and BCCI, are
6 generally positive steps permitting greater
7 knowledge and hopefully greater certainty.

8 I have tried to remain fairly
9 general in my comments, more philosophical, perhaps,
10 because I am sure you will hear many technical
11 briefs and, of course, notwithstanding my involve-
12 ment in the entire process, I am still uncomfortable
13 with some of the technicalities of the Act, and don't
14 profess to be an expert. This subject is complicated
15 and one of my great desires when we started this
16 process was to keep it simple. I am a firm
17 believer in that, but the more we had to deal with
18 all the exceptions and that makes it complicated
19 and it doesn't make it black and white.

20 Thank you for your attention to
21 my presentation. I don't have a watch. I assume I
22 ran longer than I should. I would be pleased to
23 answer your questions. If you are going to ask me
24 questions as a RRAC Committee, I would ask you to
25 let me know that that is what you are asking and
while my answer will be the same, I probably would
feel a greater obligation to present both sides if



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you are asking me as a RRAC Committee member.

THE CHAIRMAN: Thank you very much, Mr. Sifton. It is very nice to have a presentation from someone who actually reads transcripts. I don't think anybody did.

MR. SIFTON: Late at night, I go to sleep with them.

THE CHAIRMAN: To see if the cost is justified.

Any questions for Mr. Sifton?
Mrs. Smith.

MS. SMITH: Thank you. I appreciate very much -- I am addressing you as RRAC. I heard your view that probably the most important thing we have in front of us is the historic element of landlord and tenant sitting down together recognizing problems and working for a solution, as you say, and you have read the transcripts, I know. People tend to be emphasizing what isn't perfect, because that is what happens with any committee sitting at Queen's Park. If you are happy with something, you don't come forward generally.

MR. SIFTON: Yes.

MRS. SMITH: Sort of ...



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MR. SIFTON: I could have produced a perfect Bill but it would only have been perfect for me.

MS. SMITH: That is it. So I guess the fact that this is going to be an ongoing committee and improve things, all of this has to be the most important element. I don't try and defend this as a perfect bill any more than you do and I recognize the shortcomings, but I think it is the beginning of a very important process. I guess it is in light of this that in some ways, I guess I am not so much asking you a question as I want to reinforce my belief in the system and my hope that you keep faith with it and at the present you are still into

MR. JACKSON: You will warn me when the question is coming, will you?

MS. SMITH: I said it wasn't so much a question. All right? I am concerned because we have heard concerns out in other communities where they apply maybe more than here about the problem you are working on now to maintain standards and I think neither the landlords nor the tenants want any government involvement in that if possible. I think it is better for everybody if the same



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3 process continues and you're working through and I
4 encourage you to do so. I guess because of having
5 heard and you may have read the transcripts at
6 Ottawa, the concern that there may be some watering
7 down of what is meant by minimum standards or
8 provincial standards. I wanted to express my strong
9 interest in your working that through and keeping
10 to setting up some provincial standards, difficult as
it may be.

MR. SIFTON: Speaking very
11 honestly, I think the landlords feel that there is
12 a great impetus to work through and receive and
13 reach a conclusion because in all likelihood the
14 politicians will do it if we don't.

MS. SMITH: That is right. You
15 will have no choice.

MR. SIFTON: With all respect,
16 politicians don't understand the business that we
17 are in and the nitty gritty detail and don't view
18 the complications by what they do, don't understand.
19 So, we feel we have to reach -- obviously we can't
20 guarantee we will, but there is certainly no
21 shortage of effort going in to attempting to reach
22 a conclusion on that.

MS. SMITH: It is certainly
23 incredibly complicated, but I have been on city
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3 council and I wanted to express this to you that I
4 was on the -- I forget the name of it -- the Social
5 Committee of the City Council that reviewed the
6 municipal standards. Now, they are different in
7 every community, but even in London, I can recall
8 some of the discussion at the time and I think you
9 could even name the person when I say to you that
10 mostly we were thinking in terms of owned property
11 and I can remember one of our controllers saying
12 "If I own a house and I want to let the windows
13 get so dirty I don't have to look out and nobody
14 can look in, that is my business." Fair enough
15 for owned property. Not a reasonable standard for
16 what the tenants perceive as their gain in a
17 Maintenance Board. I want to express my concern
18 that provincial standards, from what I understand
19 it to mean, may not be the same as some municipalities
20 some municipalities I believe have none.

19 MR. SIFTON: In some areas, there
20 are no municipalities to have them
21 in the first place.

22 MS. SMITH: You see, in Ottawa
23 they expressed the concern that the RRAC Committee
24 might move to establish municipal standards, and I
25 am expressing this concern with you. Having been



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3 part of a municipality who looked at the standards,
4 I don't think that is what the tenants understood.

5 MR. SIFTON: I don't believe that
6 is the intention of the RRAC Committee, to move to
7 introducing municipal standards. It is intended, as
8 I said in here that I believe it must be a province-
9 wide system. There may well be differences between
10 the far North and here in what the standard is
11 because in the far North, I don't know. Maybe they need
12 triple glazing or -- there might be a different
13 insulation standard or something, but they should
14 be consistent across the province except where there
15 are practical reasons for differences.

16 MS. SMITH: That is okay. I am
17 happy to hear you say that because I think there is
18 a lot of concern on the part of tenants who have
19 lived with minimum fire and health standards and
20 got nowhere with it and ...

21 MR. SIFTON: Because they
22 weren't enforced.

23 MS. SMITH: Even as an Alderman,
24 if you send someone out maybe they didn't say much.

25 MR. SIFTON: I believe, again,
the Maintenance Board must have teeth. It must
have the power to ensure the work is done, but I



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3 would certainly hope that the focus of the
4 Maintenance Board is to ensure the work is done,
5 rather than penalize those who don't do the work.
6 You will need to do both, but its primary focus
7 should be to get the work done. If it can't get
8 the work done, then there must be some additional
9 system. But if the purpose is to run around and
10 catch people who aren't doing anything so you can
11 fine them or whatever it is you choose to do that
12 really isn't solving the problem. The problem
is to bring them up to a standard.

13 MS. SMITH: The problem is to get
14 the work done.

15 MR. SIFTON: Yes.

16 MS. SMITH: I think that gave me my
17 greatest encouragement, because I think this is
18 probably one of the most important things for
19 tenants and they are part of the balance when they
20 are talking about the delicate balance, the
annoyance of non-repairs is probably one of the ...

21 THE CHAIRMAN: Thank you. Mrs.
22 Caplan?

23 MS. CAPLAN: I just wanted to make
24 a couple of comments and perhaps a couple of
25 questions. Let me say that you are the first



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3 person I have heard who is a member of RRAC, as well
4 as being in business for yourself and you have
5 referred to the delicate balance and given the
6 differing interests from the two groups, what I
7 sense in your presentation was a degree of
8 optimism that you were able to achieve this when
9 you started out cynical within the process and you
10 will be able to see it through because of the
11 relationship and the understanding. I think the
12 point that you made about the lack of understanding,
13 if I can take some exception, I think extends
14 beyond the politicians and perhaps out into the
15 general public as well.

16 MR. SIFTON: No question about
17 that. I don't mean to -- the only reason, I guess,
18 if I directed it at politicians, the only reason
19 I did that was because they end up making the rules
20 but the general public provides the influence but
21 the politicians make the rules.

22 MS. CAPLAN: I understand. One
23 of the criticisms of this Bill has been the complexity
24 and the lack of understanding and I think you
25 addressed that quite well. This seems to have come
out of the consensus that was drawn and the fact
that it had to be complex to address all of the



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3 complex issues, but what you presented to me this
4 evening was the fact it is not that complex, that
5 based on specific principles, win-win for both
6 sides and it only will break down if we don't have
7 that balance which you worked so hard to achieve.

8 MR. SIFTON: I think that is a
9 fair statement, yes.

10 MRS. CAPLAN: I guess it is the
11 last question that I had was -- you dealt with the
12 issue of affordability again very well in your
13 statement and that was just some recognition and
14 I think your group realized that Bill 51 was not
15 really meant to address. It was only one part of
16 the government housing policy, that the affordability
17 and initiatives taken by the Minister were in other
18 areas and I think there has been some confusion or
19 thought that this Bill should be addressing that
20 issue and I wondered if you had any comments on
21 that. If you have everything in one Bill

22 MR. SIFTON: I don't think you can
23 do everything in one Bill. In my mind, in many
24 ways, rent review and affordability don't bear
25 any relationship to one another at all. Rent Review
provides, maybe provides more affordable housing for



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3 a limited amount of population, but broadly based.
4 Presumably, affordability addresses the issue of
5 those who can afford, whatever that broad base is.

6 I think, you know, there have
7 been certain steps taken towards addressing the
8 affordability issue outside of Bill 51. There
9 was one on Rentaprise and those sorts of things.
10 My point really was that today I believe that it
11 has been possible for the public to believe that
12 landlords are responsible for affordability
13 problems, and I don't think that is true. I think
14 I'm no more responsible than the butcher down the
15 street for the affordability problem. It is, as
16 I said, a social problem and society has to look
17 after it. Taxpayers have to look after it because it
18 is out there and it exists.

19 MS. CAPLAN: Is it your view
20 that this Bill addresses the security or consistency
21 of the need for that kind of environment to allow
22 the supply to be addressed and also the tenant
23 protection, so that during that process everyone
24 knows the rules and they are clear and you have
25 some security for people on both sides? Do you
think that balance has been achieved fairly?

MR. SIFTON: I think that balance



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3 has been achieved fairly. Let me say that I believe
4 that the accord achieved that balance fairly. Once
5 you get beyond the accord, obviously you get into all
6 the nitty gritty details. Some of those details
7 were decided in favour of tenants and some of those
8 details were decided in favour of landlords. I
9 think the government did a good job on balance of
10 trying to define what was meant by the accord or
11 the housing people. Where I take exception, I guess,
12 or where I brought up problems that I addressed
13 were really where I don't believe the accord was
14 followed or where I don't believe the accord even
15 got into the issue. If the Bill is dealt with in
16 a way that I can sort of go away with the slightest
17 hope that it is not going to really be a political
18 football at the next election, then I am prepared
19 to take that chance and I am prepared to say okay,
20 there is a good opportunity there will be some
21 consistency. My product, which I grow, which has
22 a 30-year life or a 50-year life will be dealt
23 with the same way next year as it was this year
24 and the converse is true. If there is a lot of
25 changes or a lot of positioning which I recognize
is necessary, that indicates it is going to be open
season again the first opportunity then I won't
have that feeling of consistency. I may not have



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3 that feeling of consistency that should be
4 there.

5 MS. CAPLAN: One last question to
6 reiterate the point you made and that is that
7 with that consistency security in the future, do
8 you feel that if the opportunities are there in
9 this province, i.e. vacancy rates and so forth,
10 that the industry will build?

11 MR. SIFTON: Yes.

12 MS. CAPLAN: Thank you.

13 THE CHAIRMAN: Thank you, Mrs.
14 Caplan. I think we should make this the last
15 question. Mr. Jackson?

16 MR. JACKSON: How much time do I
17 have, Mr. Chairman?

18 MR. PIERCE: Two hours.

19 MR. JACKSON: Thank you. Mr.
20 Sifton, you have been a student of Hansard. You
21 are prepared for this series of four questions
22 which are asked all RRAC Committee Members when
23 they attend Hearings? No emphasis on the "RACK".
24 Could you please advise me and the committee if
25 your understanding is similar to other
RRAC Members that the 3,000 units, whether they
were promised or alluded to or discussed, could



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3 you please provide us your impressions as to how
4 they arrived at the negotiating table and how they
5 were left? As you say, it is important the Bill
6 not be tampered with and as you well know, we have
7 heard from three tenant members from RRAC who
8 indicated they are not prepared to support the
9 Bill or withdraw their support if the 3,000 units
10 are not forthcoming from the Minister, whether he
promised them or not.

11 MS. SMITH: Point of Order. I
12 don't think that is quite relevant.

13 THE CHAIRMAN: Go ahead, Mr.
14 Jackson.

15 MS. CAPLAN: That is a factual
16 mis-statement.

17 MR. JACKSON: You are a pro at
18 that, aren't you?

19 THE CHAIRMAN: Let's get back to
the discussion with Mr. Sifton.

20 MR. JACKSON: I thought that is
21 what we are doing, Mr. Chairman.

22 MR. SIFTON: The 3,000 units were
23 certainly discussed during the process. They
24 form part of the words of the committee recommenda-
25 tion. I would have to say my assumption is the



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3 vast majority of the 3,000 units discussions took
4 place within the tenant caucus as opposed to the committee
5 as a whole. I was present when they were
6 discussed, but I think the detail of how they
7 were to be provided, where and when, if it was
8 discussed, was discussed within the tenant committee,
9 the tenant caucus.

10 MR. JACKSON: Who issued or raised
11 issue with yourself?

12 MR. SIFTON: Tenants would have.

13 MR. JACKSON: Who responded
14 there would be some possibility they would be a
15 viable item or a negotiated item? Was it the
16 landlords who put it on the table on behalf of
17 the government?

18 MR. SIFTON: We put it in on the
19 table in terms of saying we have no objection
20 whatsoever to any number of units you wish to see
21 the government involved in and to that extent we
22 had, I guess, we had the feeling those units may
23 help solve an affordability problem which is a big
24 issue which has not historically been addressed.
25 Let's put it that way. It may go a long way towards
taking pressure off the position we, as landlords,
find ourselves in.



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3 Therefore, we supported the
4 tenants in their request for units to be produced
5 as landlords. Who promised them, I don't know
6 that I can say. Certainly the staff or Ministry
7 staff would have been the ones who were discussing
8 making commitments if they were made.

9 MR. JACKSON: Okay. Given that
10 your interest in ensuring that the accord remain
11 intact, are you, as an individual RRAC Member or
12 on behalf of the development community, prepared
13 to enjoin the tenant groups on that issue in order
14 to ensure the success of the Bill?

15 MR. SIFTON: When we have gotten
16 into discussion over the RRAC Committee consensus,
17 the result has always been to go to the words that
18 are written down and to define those words exactly
19 and we have taken legal definitions of what those
20 words mean to define where the landlords were going
21 to back down from the position they were taking on
22 the Bill, for example.

23 MR. JACKSON: Let's keep this
24 simple. We know the tenants' situation may unhinge
25 the agreement and you have no problems one way or
the other. What is your reluctance to enjoin the
accord group on the issue of the 3,000 units?

MR. SIFTON: I was not committed



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that 3,000 units would be produced. There was a goal set out. There was no timing mentioned in the accord.

MR. JACKSON: So you flatly reject the notion that it was, in some form, a promise to the agreement?

MR. SIFTON: I was not a party to a promise to the agreement that 3,000 units would be produced or made available or funding therefor would be made available during 1986, no.

MR. JACKSON: Okay. You indicate in your brief that this Bill, if untampered, will bring your industry something that it has been craving -- a sense of security, a feeling that the rules will remain constant. What do you base that belief on?

MR. SIFTON: Faith. (Laughter)
Developers or builders tend to be optimists. They tend to be people who -- they have to be people who are optimists, because they are looking at high risk and they are looking at big dollars and they have to have a lot of faith. I think if we can see signs that the system is to be dealt with on a basis that is going to provide solutions, we believe solutions for both parties, that we believe



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3 it won't be political football, that it will prove
4 to be successful over the long term. I am not sure
5 about the next election. Then there will be no need
6 for it to be a political topic in any way.

7 MR. JACKSON: You use faith to
8 describe that and yet, in the last ten years, you
9 haven't built any units.

10 MR. SIFTON: No.

11 MR. JACKSON: And yet you indicate
12 to us you may not build. Certain circumstances
13 would have to occur in order for you to build.

14 MR. SIFTON: I have to be able
15 to see how we will be able to rent the units and I'm
16 not going to build if there is a high vacancy
17 rate or I'm not going to build if there is no land
18 to build on. So, certain things have to be in
19 place before you can build. All of those things
20 that have to be in place to build right now are
21 there, except the accord and I would like to
22 correct and I think I strayed from my spot. I
23 don't think I said if the Bill was passed, maybe
24 I did, I think I said if the accord is passed and
25 there is a difference.

MR. JACKSON: You might?

MR. SIFTON: I think I said I



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3 will if other things are present. Right now, all
4 those things are present today. Interest rates
5 are available. I have a market, I have people who
6 want to rent. I can look forward to losing money
7 for about five years and then probably break even.
8 I am prepared to go on that basis.

9 MR. JACKSON: The Minister made
10 an announcement in Ottawa last week which you are
11 aware of saying that in a reasonable time tenants
12 in Ontario should save up to \$45 million, the
13 difference being between this Bill and the current
14 methodology.

15 MR. SIFTON: All I saw was a
16 newspaper article.

17 MR. JACKSON: Do you agree?

18 MR. SIFTON: I don't have any idea if the
19 number is right, but I am sure those units now
20 not under rent control, ten years worth of units
21 which are not under rent control, will be increasing
22 at a lesser rate than they would have if they had
23 been left out of rent control. I am not involved
24 in them. I do manage some, but I am reasonably
25 confident that that is true.

MR. JACKSON: Mr. Sifton, you own
and manage over 2,000 units and you have been



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3 involved in this document for over nine months and
4 you are trying to tell me you are not aware of
5 whether or not the net effect of Bill 94 will mean an
6 increase or decrease ...

7 MR. SIFTON: That is not what
8 I'm saying.

9 MR. JACKSON: 51, I am sorry.

10 MR. SIFTON: I don't know if the
11 number is 40 whatever million it was. I said I
12 have no doubt there will be a decrease in the cost
13 to post-'75 tenants. Not a decrease in the cost,
14 but a decrease in the rate of increase, which
15 I think is what was being addressed. I can't tell
16 you whether the dollar value is correct.

17 MR. JACKSON: Then, are you
18 agreeing with the Minister's contention, or are
19 you not?

20 MR. SIFTON: Can you give me the
21 Minister's contention?

22 MR. JACKSON: Why don't we let
23 the Minister tell us what his contention is?

24 MR. REVILLE: You are asking too
25 much.

MR. SIFTON: If the Minister's
contention is that ...



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MR. JACKSON: Alvin, you can explain it, can't you?

HON. ALVIN CURLING: I thought this was a public hearing and Mr. Sifton is coming here and giving his presentation, his view. It is trying an issue that you may be disagreeing with I on and Mr. Sifton into a confrontation. That is a Point of Order, Mr. Chairman.

THE CHAIRMAN: Thank you, Mr. Minister. Go ahead, Mr. Jackson.

MR. JACKSON: Well, there is more than just I confused about the figures then, but I am really asking you the release -- put your RRAC hat -- not your RRAC hat, but put your fair rental hat on because they have had an opportunity to digest this and I am sure they informed you of it, the contention from fair rental that these kinds of savings will be realized relative to the current legislation.

MR. SIFTON: I can't tell you. I have had no communication on the subject with fair rental. I can tell you that it would be my belief that post-'76 units will have a lesser rate of increase than they would have if they were not put under rent review.



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3 MR. JACKSON: Pardon me, then,
4 for asking my question. Why would you agree to that?

5 MR. SIFTON: We agreed to it because
6 you have a choice. You have three political parties
7 running for election, all of them attempting to see
8 who can climb the highest on the landlord's back
9 and when the result becomes known, you then attempt
10 to see whether you can't get somewhere that you can
11 get above the waterline and, very bluntly, I guess
12 that is it.

13 The position we are in with this
14 accord, from a landlord's perspective, recognizes the
15 landlord's problems much better than the heat of
16 a political election ever did, recognizes the
17 landlord's problems better than a Bill that was
18 introduced for an 18-month period ten years ago
19 ever did and it shouldn't have had to because it
20 was only a temporary piece of legislation. It
21 recognizes better than Bill 51 ever did the
22 landlords' problems and so, I guess I have a choice.
23 I have a choice of standing here and giving you a
24 speech on why we shouldn't have rent review. I am
25 going to do that next time you come around because
I hope that that will be the next topic. But we
have a difference of opinion, obviously, between



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3 landlords and tenants and RRAC, but that is not
4 what we were discussing. We were not discussing
5 what should be the rent review laws in Canada or
6 in Ontario a hundred years from now. We were
7 talking about how do we resolve the problem here
8 and how do we make a situation which both parties
9 can live with? I think we can do that.

10 MR. JACKSON: A final question.
11 In all cities outside of Toronto I have asked the
12 question of landlord groups that under certain
13 circumstances, and I saw those circumstances in
14 Thunder Bay and I listened to those circumstances
15 this afternoon in Sarnia, and I have asked the
16 question about what some jurisdictions have done
17 in Canada and that is to consider a deregulation
18 of rent control on a regional basis tied to the
19 vacancy rate where an immediate increase in supply
20 does what we have experienced in some area of
21 Ontario, the marketplace has brought the rents down.
22 In the absence of new construction, that supply
23 curve really skews the rent and the landlords are
24 sitting in a much better situation relatively
25 speaking. Would you feel it responsible for
the government to look at or consider regional
decontrols under certain circumstances?



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3 MR. SIFTON: Yes, I would feel
4 it reasonable for the government to look at those
5 matters. I feel it is reasonable for the govern-
6 ment to look at all aspects, and that is one that
7 may have very good potential.

8 MR. JACKSON: Thank you, Mr.
9 Chairman.

10 THE CHAIRMAN: Thank you, Mr.
11 Jackson.

12 Mr. Pierce, do you have a
13 question?

14 MR. PIERCE: Mr. Sifton, other
15 presenters today have indicated that there are a
16 number of units under construction, rental
17 units under construction in the City of London.

18 MR. SIFTON: Yes.

19 MR. PIERCE: Given the size of
20 your portfolio as a developer, are you involved
21 in any of those units.

22 MR. SIFTON: No.

23 MR. PIERCE: Can you tell me why
24 not, when all the other developers are in there?

25 MR. SIFTON: We have a little bit
of land which we could build a couple of apartment
buildings on. That is all the land we have that is



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3 suitable at the moment. We had quite a bit of land,
4 but we have gradually sold it off and co-ops and
5 so on have taken it up. We have not -- we have
6 never built for our own portfolio, we have not
7 started units for our own portfolio since rent
8 review came in, basically because we were concerned
9 that the subject was very political and was bound
10 to change and we were able to go and spend our
11 money more efficiently elsewhere, I guess. That
12 is basically it, with more security. We have to
13 reach the point where the system that is being
14 produced is being produced for non-political
15 purposes, I guess, or the emphasis is not on
16 political purposes, but it is on the long-term
17 health of this province in a housing sense and
18 until we get to somewhere where we feel that is the
19 direction the pendulum is going, we were not
20 prepared to start any construction of rental units.

19 MR. PIERCE: You indicated also
20 in your presentation that if Bill 51 is passed and
21 the accord is not structured as presently written,
22 you would be prepared to build. Would you
23 build at the high level of the spectrum or would
24 you be building accommodations suitable for single
25 family, unwed mothers, that type of thing?



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3 MR. SIFTON: Well, as I said
4 before, quality, in my mind, doesn't necessarily
5 mean expensive. We would be interested in
6 building in all markets. We have no been big
7 participators in the government subsidized
8 programs, but that is generally because they really
9 only have been recognized since rent review came
10 in in the first place and since rent review came
11 in we said we weren't going to build. So, we would be
12 prepared to be building in all markets. In the
13 low end, if you want to talk about single mothers
14 and people who are economically disadvantaged who
15 have affordability problems, then I have to tell
16 you I can't do it on my own. I have got to have
17 somebody help me to foot the bill.

18 THE CHAIRMAN: Thank you, Mr.
19 Pierce.

20 Mr. Sifton, the Committee is
21 always interested in hearing especially from the
22 RRAC Committee members and yours was a particularly
23 interesting presentation. Thank you very much.

24 MR. SIFTON: I have never done
25 one of these. I quite enjoyed it.

MR. PIERCE: You will get used
to it.



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MR. BERNIER: We will be back doing this again.

THE CHAIRMAN: The next presentation of the evening is Lyle Hallman.

Mr. Hallman, welcome to the Committee.

MR. HALLMAN: Ladies and gentlemen, I am sure you must feel like opening a box of Smarties, all different colours but inside is always the same conversation and I have got to give you credit for listening to all the presentations. Mine is not a written presentation. I have a brief outline.

I come from Kitchener-Waterloo. I have been in business for 41 years basically in land development, residential construction, and in the last 20, building houses or apartments, along with land development et cetera. I currently own nearly 3,000 apartment suites. I am an individual, I have no shareholders. I own my own private company and, with that, I believe I can



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3 speak to the problems of the individual landlord,
4 the owner/developer.

5 Is there a housing shortage or a
6 lack of moderately priced housing or apartments?
7 Is the reason there are no \$300. per suite rents
8 available to people why there is a shortage, or is
9 there actually a shortage of actual accommodation?
10 In the paper the other night there was a story
11 on the record, I believe you would agree with this,
12 a picture of people living in a tent and this is
13 the first time it has happened for a long time,
14 people living in a tent who could not find
15 accommodation, but the crux of the problem was that
16 that party owed three previous landlords and there
17 was no landlord willing to take them on because
18 they have a very poor credit rating. So, there's
19 always a reason for something like that.

20 Another thing I see happening is
21 as we develop land, I think it was mentioned before
22 possibly we registered three plans of subdivision
23 this year, all single family, no blocks for
24 multiple family, the blocks that are available that
25 have been available over the years are gradually
getting used up and there is no land going to be
coming on the market for building multiples and I



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3 think this is a very prime question that everyone
4 should be asking. If we want units, where are the
5 units going to be put? Downtown Toronto certainly
6 doesn't have any land and while I'm on downtown
7 Toronto, I consider that the downtown Toronto
8 problem is one of the reasons we have rent control
9 right here. Downtown Toronto is an island onto
10 itself. Even Small Claims Court would allow a
11 \$3,000.00 limit and Mississauga will only allow a
12 \$1,000.00 limit for a claim to be applied. So,
therefore, downtown Toronto is a specific problem.

13 Bill 51 implies that rent
14 controls are here to stay and I must add that I am
15 opposed to rent controls. However, is the demand
16 for subsidizing the needy people -- what is the
17 need of the people who need housing assistance? Is
18 it because they need help to pay their rent or is it
19 because of help to pay the TV payments, the car
20 payment and everything else? What are the people's
21 priorities? I think we have to go back to the
22 education system and say to ourselves are the
23 people being taught what the priorities are? Are
24 the people in school being taught what credit is,
25 because we have people coming through our system
that have such bad credit that surely they must



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3 have known they could not get accommodation with
4 such bad credit. Rent control, of course, is a
5 political problem, also a social problem, but it
6 is caused by the political problem as Mr. Sifton
7 said. It is how far can the politicians climb up
8 the backs of the landlords and the landlords are
9 here to stay. I have a commitment for 3,000 units
10 times how many years and those buildings are going to
11 last a heck of a lot longer than what everyone
12 around this room sitting as a Member of the House
13 or even longer than the parties will last. I don't
14 know, but we have a long term commitment. I
15 am in agreement with some of the sections of
16 Bill 51 as a temporary measure. The longer it
17 goes, the worse it will get and I think it is
18 time that we start on the road by accepting Bill
19 51 with some modifications as a step in that
20 direction that I feel the industry needs, and I am
21 sure the government wants no matter which party
22 is in power, to form some stability that we can
23 move on and get the job done, what we are supposed
24 to do. I am in the business of building apartments.
25 You are in a business of -- Minister Curling is
providing money and we are in the business of
building ---



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3 MR. JACKSON: We are in the
4 business of taking money from you and redirecting
5 it.

6 MR. HALLMAN: I am coming to that.
7 You've stole my thunder.

8 MR. JACKSON: I am sorry for
9 doing that.

10 MR. HALLMAN: I have some figures
11 here and I don't have enough pages. The average
12 family, the male wage earner makes \$10 an hour, \$20,000 a year
13 and the wife earns \$7 an hour or \$14,000 that's a total
14 income of \$35,000.00 in gross
15 income for that particular family, which is an
16 average income across the board.

17 Canada Trust, if this party was
18 buying a house, would allow 30 per cent. They would
19 take 30 per cent of that income, which is \$10,000.00,
20 \$10,600.00, to pay the debt service which is
21 principal, interest and taxes. \$10,600.00 is 30 per
22 cent and that works out to \$884.00 a month and
23 you can now see what I am getting at. If that
24 same couple would be buying a house, using the 30 per
25 cent debt ratio, that same couple could pay
\$884.00 a month plus \$60.00 which is included in
the rent for heat, light and water. They could
pay \$944.00 a month rent.



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3 Now, someone says they are
4 building up an equity in their house as time
5 passes, they are building up an equity. Now, the
6 average renter pays 15 per cent of his gross income.
7 Fifteen per cent of \$35,000.00 is \$442.00 plus
8 \$60.00 for the heat, light and water, and it comes
9 out to \$500.00 per month. So, in effect, the
10 renter is receiving a bonus of \$442.00 per month
11 by renting rather than buying his house. That is
12 quite a comparison, quite a difference. If this
13 person, who is getting a bonus of \$442.00 a month,
14 put that money in the bank, in five years he has
15 appreciated that a heck of a lot more than if the
16 Minister buys a house today and hopes he's going
17 to sell it for X dollars more. He's must
18 better to put the \$442.00 a month in the bank and
19 get compound interest and he's much further
20 ahead. Pardon?

19 THE HONOURABLE ALVIN CURLING: Go
20 ahead.

21 MR. HALLMAN: Now 75 per cent
22 of the renters do not need financial assistance.
23 That has been proven across the board. The
24 remaining 25 per cent of the renters who prove that
25 they need assistance, could be assisted by shelter



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3 allowance. Why subsidize the construction of 100
4 units, of a 100-unit building, when 40 per cent of
5 the people are going to benefit who actually need
6 assistance, but the other 60 units there are also
7 going to benefit by the same subsidy that everybody
8 else gets? You are subsidizing the wrong people.

9 The Rentaprise program is
10 subsidizing a lot of people who could afford to
11 pay current rent.

12 I will just stop there. Are
13 there any questions on that particular question
14 right now?

15 THE CHAIRMAN: I think you can
16 go ahead and complete it or we will never finish.

17 MR. HALLMAN: Good enough. I
18 understand the Minister has come out with a
19 proposal to provide 16,500 units. I don't know if
20 that is within the next five years ...

21 MR. CURLING: It is done. They have
22 already been built.

23 MR. JACKSON: I am living in one.

24 MR. HALLMAN: You have helped
25 6,000 people who really need assistance but the
other 10,000 people are getting a benefit who
really don't need it, and you have wasted the money



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3 on 10,000 people that could have been used for
4 something else.

5 MR. REVILLE: It is the basic
6 building.

7 (Applause).

8 MR. HALLMAN: The consultation
9 process, I think, concerning maintenance could be
10 construed to be the wrong way around. If it is
11 meant for the consultation with the tenants of the
12 building to keep the standards up, I agree with
13 that 100 per cent. If it is meant, and you can
14 read it that way, that if there is a bunch of
15 cheapies -- I use the word advisedly -- a bunch of
16 cheapies in the building who don't want their rent
17 increased because I have to pave the parking
18 lot because it is costing too much to repair it,
19 the boiler needs replacing, they won't allow me to
20 do that, those people are now telling me what I
21 can or cannot do. Now, this is going to go on
22 for about three or four months and the parking
23 lot gets worse and the boiler gets worse and there
24 is no heat and these same people who fought me
25 against getting some return back that I could make
these improvements have all now started to move out.
Now, within a short period of time,



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3 more people move out, more people more out, and
4 pretty soon the building is 50 per cent vacancy
5 because the parking lot is bad and the heat -- there
6 is no heat and down and down and down. How can the
7 landlord get the turnaround to get the people in
8 the building to agree to it because as the building
9 goes down, the rents go down and pretty soon what
10 happens is the mortgage company takes over, the
11 builder has guaranteed the mortgage, the builder
12 goes bankrupt and eventually the municipality
13 doesn't even get any taxes. I take you to the
14 Bronx, New York as a perfect example of what can
15 happen.

16 Compliance with standards for
17 safety and health, I totally agree with. The
18 Ontario Building Code, I believe, is a real good
19 base for that to be based on. We are currently in
20 our own buildings going through the fact on the new
21 Building Code where we have to come up with new
22 fire regulations and all that. I agree that that should
23 be done. At the present time, as the costs are
24 being done, I can pass that along, but under the
25 consultation process I doubt if I could pass that
along. Now we have a Catch 22 situation here.
Where do I get the money to do it if the people don't



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3 want it done?

4 The Bill 51 can be slightly
5 modified, it can be clarified, but I do implore you
6 to take into consideration that backdating it to
7 August of 1985 is a horrendous challenge and a
8 horrendous problem to every facet of the rent
9 review system because I feel quite confident that
10 if this gets dated back to 1985, 18 or 19 months,
11 most buildings will have to come back to a rent
12 review situation which, again, is going to jam
13 the courts and my suggestion and hope is that the
14 rent registry and this whole thing would come into
15 focus and into bearing on the date the bill is
16 passed.

17 I skipped over a lot of things
18 because of the time.

19 The last one is the future of
20 the Hallman companies under the proposed
21 legislation. I, for one, have a 60-unit building
22 under the Pentaprise and I have different -- any
23 opportunity that I can get to build apartments, I
24 will build and we have 260 or 270 units and we
25 built 175 last year under what program was it last
year?

That is one of the problems we



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3 have. We don't know which program. We go back now
4 and we have about ten different programs we are
5 financing under.

6 MR. REVILLE: Was it CRSP?

7 MR. HALLMAN: Yes. between the
8 federal and Ontario ...

9 I am sorry, I should have known
10 that. Anyway, these are the problems we are
11 faced with and I think as we move along if
12 something isn't done to increase the housing stock
13 very rapidly, I think that the government is going
14 to be totally committed to building apartments and at
15 whose expense? At the taxpayer's expense and I
16 want to add to this which party of this government
17 is going to go to the homeowner's and say "Look,
18 you are contributing \$75.00, \$100.00, \$500.00,
19 whatever dollar figure you want to that person
20 living in that building across the street from
21 you." A suggestion I have is to take the Ontario
22 people out of it and pass it down to the local
23 municipality, municipal level, and let the local
24 municipal level put the housing units in place so
25 that the grass roots can see what it is costing.
Nobody knows that the subsidy is costing people.
Do you know what these subsidies are costing?



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MR. REVILLE: I know some numbers, yes. Sometimes it is as much as \$800.00 or \$900.00 a month.

MR. HALLMAN: Yes. Does the average homeowner know he is contributing 50 per cent of this?

MR. REVILLE: No. He would soon know it if it were on the municipal tax rate.

MR. HALLMAN: Thank you. That is the point I'm trying to make. They would then become very, very knowledgeable. I intend to keep on building. I have put across the bottom of my letterhead and I sincerely mean it, "Every resident is entitled to the quiet enjoyment of a clean and respectable atmosphere", and I hope I am a good landlord. I intend to keep being a good landlord, and I hope with this Bill passed within the confines of the proposed legislation the way we have it here that we can go onto bigger and better things without interruption and without question that we can do our job in the future.

Thank you.

THE CHAIRMAN: Thank you, Mr. Hallman, for your presentation.

If there are no questions from



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3 members of the Committee. We express our apprecia-
4 tion for your appearance here this evening.

5 MR. HALLMAN: Thank you.

6 THE CHAIRMAN: While the agenda
7 shows two more presentations, there are actually
8 three.

9 The next is Marshall Resources,
10 Mr. Schnurr.

11 Welcome to the committee.

12 MR. SCHNURR: Thank you for the
13 opportunity to speak to you. Unfortunately, I have
14 a prepared text, but I did not bring copies for
15 everyone. I apologize for that.

16 THE CHAIRMAN: You force us to
17 listen.

18 MR. SCHNURR: Members of the
19 Committee, the government originated an attempt
20 to find a form of association that defends and
21 protects the persons and property of each for the
22 common force of all. The office of government is
23 not to confer happiness, but to give its people
24 the opportunity to work happiness out for themselves.
25 It is my opinion that Bill 51, as it is proposed,
is an instrument, though well meaning, that gives
power to -- too much power to too few people who



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3 control so many. The Province of Ontario, for the
4 most part, is currently facing the greatest
5 challenge any people could possibly face, housing
6 thousands of people without the support of the
7 private sector. That support is essential if we,
8 the people, ever hope to meet our challenge. Bill
9 51, in its present form, further discourages
10 investors from becoming involved in a market which
11 is already overgoverned. As of now, in the Sarnia
12 area, 53 per cent of the landlords in the City of
13 Sarnia are small landlords. These landlords have
less than six units,

14 Bill 51 and rent review as a whole
15 is burdening these people, these small investors,
16 with more red tape, more complications of business
17 and being in business and supporting themselves in
18 that business than they want to be faced with. It
19 is giving them a clear message to get out of the
20 business. This figure of 53 per cent may or may not
21 apply to the balance of the province. I have a
22 feeling that it does. We, as a people, cannot
23 afford to provide replacement housing if those
small landlords get out of business.

24 I don't hold myself out to be any-
25 where near as qualified as the members of this



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3 Board or...

4 MR. JACKSON: Be careful.

5 MR. SCHNURR: ... of those who
6 drafted this legislation. I do, however, have
7 problems in accepting this piece of legislation in
8 any form. Housing is a matter of local concern,
9 not that of the province. Local economy dictates
10 the needs for an area. This legislation has been drafted
11 to buy as many votes from one of the largest
12 groups of voters in the province, not for the
13 benefit of all. Bill 51 is provincial control of
14 a totally local issue. It has been drafted for the
15 protection of those voters in Toronto where
16 possibly it may be needed. In Sarnia, we don't
17 need it. Sarnia, in fact, is facing a housing
18 market that is in reality contrary to those
19 statistics released by Statistics Canada and CMHC
20 facing a 20 per cent vacancy factor, as well as a
21 20 per cent unemployment factor.

22 The Ministry's objective is to
23 provide assured housing to the Province of Ontario.
24 How can we possibly do that when the methods you
25 are using to guarantee that housing come in the form
of an act of aggression of those who are to play
a very important role in providing the housing



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3 required? It is a fact in this province that since
4 the installation of the Rent Review Act, rental
5 housing starts are down. The vacancy, for the most
6 part, is non-existent and the amount of subsidies
7 to rental housing is climbing upward dramatically.
8 Taxation has increased proportionally. With regard
9 to Bill 51 directly, it is proposed that, for
10 example, co-ops are to be exempt from control.

11 Let's follow that thought along
12 for a moment. In Sarnia, we are blessed with two
13 such projects that I am familiar with; one of
14 these projects being the Alexander McKenzie Co-op
15 located at Murphy and Wellington in the Township
16 of Sarnia. As I understand the co-op system,
17 mortgage interest is subsidized by CMHC to approxi-
18 mately two per cent per annum, the thought being
19 that 25 per cent of those units created are to be
20 used for low income families. Now, the low
21 income families whom these units are created for are
22 subject to the
23 acceptance of a Board of Review consisting of other
24 residents of the project. This is possibly a good
25 idea. However, with co-ops as a whole, I find
three things wrong, especially with this particular
project. Several of the residents in the project
I have mentioned are in the \$40,000.00 to \$50,000.00



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3 income range. Addressing that point, in my
4 opinion, anybody in the \$40,000 to \$50,000 income
5 range does not need or require subsidies. The
6 residents of this type of housing are being pretty
7 damn selective as to who they approve to live in
8 their housing project. That is leaving the less
9 desirable to go out and find shelter in the
10 private sector. If we look at the overall system,
11 I feel it is being abused because it is not being
12 thought through. The cost of construction of the
13 units I mentioned are approximately \$75,000.00 a
14 unit including cost of land. On the private
15 market in Sarria that would rent for approximately
16 \$1,000.00 a unit. These units have no garage, but
17 feature full basements, finished rec rooms and they are
18 an all around beautiful form of housing. The maximum
19 rent in this particular co-op is \$525.00 per month.
20 What is wrong with that, you may ask? Just two blocks
21 south of that is an area created via the Federal
22 Grant First Time Buyer's Grant in the mid-seventies.
23 Here are townhouse projects with full basements,
24 garages, and they can be bought for approximately
25 \$20,000.00 to \$30,000.00. If we were to buy those,
upgrade them by spending \$15,000 to \$20,000, we would
have saved \$25,000.00 per unit versus the co-op



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3 housing project, plus the interest savings on the
4 subsidy interest. If we aren't spending the
5 \$25,000.00 we are not paying interest on that, but
6 instead we built new units at \$75,000.00 a unit
7 and subsidize their interest. Why couldn't we
8 have looked at the other project known as Cardiff
9 Acres, go in there and buy those units which are in a
10 less desirable or less appealing form, a fair number
11 of them under Power of Sale and currently being
12 operated by the private sector as rental units? I
13 own two of those units and I have a hard time
renting them out at \$400.00.

14 There is something wrong with this
15 picture when we look at it in that context, and I
16 wish I had brought pictures so you could see the
difference.

17 Let's focus for a moment on Rent
18 Registry, a good, sound, socialist idea designed to
19 buy votes. So much for the benefits. What about
20 the costs? Who is going to pay the bill? To set up
21 a data base of that size we are looking at
22 phenomenal amounts of money. The bottom line is the
23 taxpayers are going to be harnessed with yet
24 another bill. Correct me if I am wrong, but the
25 idea was to protect the tenants from greedy land-



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3 lords. In the words of Chief Justice Lewis John
4 Marshall, the power to tax is the power to destroy.
5 Legislation such as Bill 51 is one hell of a good
6 wrecking ball.

7 Bill 51 has a well written,
8 beautifully presented section on procedure. That
9 is just wonderful. The small landlords in this
10 province trying to build a little bit of
11 equity for their retirement aren't making loads of
12 money, can't afford to pay somebody to go through
13 rent review and go through a bureaucracy. It is a
14 nightmare for them. They don't have any desire or
15 any comprehension for this type of procedural
16 method of getting a rent increase. Perhaps it is
17 the government's intention with Bill 51 to intimi-
18 date these people out of the business. That being
19 the case, it is working very well. Another sector
20 of this Act of aggression called 51, is that of
21 the Property Standards Board, another terrific means
22 of forcing the small business people out of
23 business. If landlords were allowed the freedom
24 to charge realistic rents, they could afford to
25 spend money on their property. However, if their
incentive is gone and their competition is gone
and their profit is gone, they cannot spend money



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3 to clean up their apartments. The government, in
4 its wisdom, has decided to restrict them further
5 with Bill 51, but not only that, but to force them
6 to spend more money on fixing up properties which
7 are already economically dead in the first place.

8 The only good point of this
9 section of the Bill is the fact that it would be
10 administered by the municipality. That makes
11 sense, it's controlled by the people who it affects
12 in a local area.

13 To summarize, my friends, let's
14 look at existing laws. Amend them instead of trying to
15 confuse the market with needless intervention of
16 new legislative nightmares. The Landlord/Tenant
17 Act is a good place to start. Section 124 (2)
18 allows for the establishment of Landlord/Tenant
19 Advisory Bureaus on a municipal level. The
20 function is somewhat restricted to that of providing
21 an information service. The City of Sarnia, in
22 conjunction with St. Clair Association of Rental
23 Property Owners, along with Marshall Resources
24 Ontario Limited, have established such a bureau
25 in Sarnia. Primarily to provide information, to
mediate disputes, this bureau is made up of four
landlord representatives and four tenant represen-



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3 tatives and one representative of the city. It has
4 been met with an excellent response, and has been
5 successful in mediating 100 per cent of the calls it
6 has received. I strongly believe that housing
7 matters are that of a local issue and should be
8 dealt with on a local level by the local people.
9 Involvement on a provincial level is the fastest
10 way I know to cloud the water and slow things down.

11 As opposed to Bill 51, I suggest
12 the answer to our problem lies in Section 124 of
13 the Landlord Tenant Act. Extend the scope of the
14 bureaus, and let's stop wasting time, money and energy
15 buying votes. In closing, I quote Judge Lou
16 Youngdale of the United States District Court:

17 "Most of us don't understand that
18 we will get just as bad a
19 government as we are willing
20 to stand for and just as good
21 a government as we are willing
22 to fight for."

23 In the words of Winston Churchill:

24 "We, as landlords in this
25 province, have only begun to
26 fight."

27 THE VICE-CHAIRMAN: Did Churchill
28 say that?



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THE CHAIRMAN: Thank you, Mr.

Schurr.

(Applause).

THE CHAIRMAN: If there are no questions, I can tell you why it is. It is because you're position is so unequivocal and you put it with such clarity, there are no questions. It is not clear enough for Mr. Jackson.

THE VICE-CHAIRMAN: Do you know why he is Chairman now, too?

MR. JACKSON: It is never clear enough for me. I am sorry.

This afternoon we had a deputation from Sarnia who shared with us some of the images of the housing market in Sarnia and I asked him a question about whether or not regional decontrol should be considered for communities such as Sarnia with municipal input, given a variety of factors including the vacancy rate and the fact there is limited municipally-owned housing, a variety of factors, but I sense that you would concur that we should be pursuing that direction?

MR. SCHNURR: Mr. Jackson, I think you hit the nail right on the head. I think it should be structured not only in Sarnia, but



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3 across the province. Let the municipality deal
4 with their problem. It doesn't have anything to do
5 with the province. The municipality, it is their
6 responsibility and it is the taxpayers in the
7 municipality who should have the input
8 on their own problems.

9 MR. JACKSON: Thank you very much.

10 THE CHAIRMAN: Thank you, Mr.
11 Jackson. Mrs. Smith. Mr. Ramsey.

12 THE VICE-CHAIRMAN: You talked
13 about the rent registry and described it if I
14 can paraphrase it, as a socialist wrecking ball ...

15 MR. SCHNURR: I called the rent
16 registry ...

17 MR. REVILLE: ...one hell of a good
18 wrecking ball.

19 MR. SCHNURR: I called Bill 51 one
20 hell of a good wrecking ball. I called the rent
21 registry a good socialist idea.

22 MR. REVILLE: Designed to buy votes,
23 I think you said.

24 THE VICE-CHAIRMAN: What do you
25 have to fear from a rent registry?

MR. SCHNURR: If I can make
a simile; in the City of Sarnia, there are a lot



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3 of small landlords with older buildings that are
4 economically dead. There is no two ways about it.
5 They have been traded over and over again
6 to different small landlords. All right?

7 The problem being the landlords
8 are responsible for what previous landlords have
9 done as I understand it. Rent registry, unless
10 we forgave previous errors and allowed the new
11 buyers forgiveness for past errors, would only put
those people in trouble.

12 I know of a couple of situations,
13 including one of my own, where I was forced to roll
14 back my rents to proper levels ...

15 THE VICE-CHAIRMAN: To legal
16 levels.

17 MR. SCHNURR: Yes. That is right.
18 If a tenant is very much disturbed with a landlord,
19 it gives them a means to put him into bankruptcy
20 for lack of a better term.
21 I think if you're going to have rent registry and
22 register the apartments, I might add that Marshall
23 Resources has established that in the City of
24 Sarnia in a data base. It contains every apartment
25 and every tenant and that you should allow landlords
the same privilege of reporting on tenancies.
Let us register tenants.



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THE VICE-CHAIRMAN: Register tenants?

MR. SCHNURR: In the City of Sarnia

THE VICE-CHAIRMAN: I don't understand register tenants.

MR. SCHNURR: If we have a problem with a tenant who doesn't pay his rent and my business, Marshall Resources, is that of mediating between landlords and tenants and the handling of evictions and we have a constant not payer and I have people who haven't paid for two or three years and in Sarnia it is cheaper to move than not pay your rent. There is no method of tracking that tenant. There is no legal method of tracking that tenant. Okay?

Fine. Register -- if we are going to register the apartments for the benefit of the tenants, then register the tenants for the benefit of the landlord.

THE VICE-CHAIRMAN: Okay.

THE CHAIRMAN: Mr. Cordiano.

MR. CORDIANO: Mr. Schnurr, you obviously don't believe this Bill is a compromise at all or will help balance the famous phrase ...



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MR. REVILLE: Have you heard of
a delicate wrecking ball?

MR. CORDIANO: We will send one
your way.

MR. REVILLE: Make sure it is
delicate enough.

THE VICE-CHAIRMAN: A Smurf
wrecking ball.

MR. CORDIANO: You obviously
don't believe in that compromise by the RRAC and
as a result, I believe what you are saying is tenants
are getting too much of a break and that there's a
great deal more in it for tenants. Am I fair to
say that?

MR. SCHNURR: No, you aren't.
What I am saying is that the landlords are the
easiest ones to pick on. The only ones I see
winning are not the tenants. The tenants are the
ones that in the end are going to lose. The only
ones I see winning right at the moment are some-
where in between the Liberal and NDP.

MR. REVILLE: The Tories.

MR. BERNIER: Is something
slipping, fellows?

MR. SCHNURR: The tenants aren't



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3 going to win by this legislation. The tenants
4 are going to lose. Unfortunately, the landlords
5 are going to lose, as well.

6 MR. CORMIER: You don't believe
7 the landlords have anything to gain and there can
8 be too much protection for the tenants, given
9 the rent registry and a number of other items?

10 MR. SCHNURR: I see Bill 51
11 as a loaded gun. All right? Although it may be
12 the opinion of people a lot smarter than I and
13 a lot more professional than I that Bill 51 was a
14 compromise, I see it as the provincial government
15 taking a shotgun and putting the butt at the other
16 end of the rifle. It is not going to benefit either
17 tenants nor landlords nor the government. We are
18 all going to lose by it.

19 MR. CORDIANO: Thank you.

20 THE CHAIRMAN: Mr. Epp, could
21 you straighten us out?

22 MR. EPP: I will try.

23 Mr. Schnurr, since you are so
24 ambivalent about rent review, to be honest and to
25 be fair, don't you think this is a step forward
from what we currently have and that it is a
compromise and compromises aren't supposed to be a



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3 big victory for either side and, therefore, although
4 the landlords aren't getting exactly what they wanted
5 and the tenants aren't getting exactly what they
6 wanted, in fact, we have them speaking to each other
7 and, therefore, there is going to be some progress,
8 hopefully?

9 All of us have a part to play in
10 that.

11 MR. SCHNURR: Okay. Well, let
12 me address that, okay?

13 If you are prepared to come to
14 Sarnia and take over my little six-plex on South
15 Christina Street ...

16 MR. EPP: If you want to come
17 and represent Waterloo North, you may have a deal.

18 MR. SCHNURR: If you can operate
19 a building and it isn't an economically dead
20 building, unfortunately I happen to be a proud
21 owner. If you can operate, or any government can
22 operate that building under these guidelines and
23 manage to hang onto it for more than six months,
24 then I will support Bill 51.

25 MR. EPP: What is your vacancy
rate?

MR. SCHNURR: Approximately 20
percent.



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MR. EPP: Across the board?

MR. SCHNURR: Across the board.

CMHC is reporting 4.8 percent, but their methods of coming to that figure leave a great deal to be desired.

MR. EPP: How long has it been 20 per cent?

MR. SCHNURR: It is on a climbing factor. I would say the last five or six months.

MR. EPP: Is the vacancy rate going down?

MR. SCHNURR: No, it is going up. Marshall Resources conducted a survey and we have run it over three years. We have 13,000 apartments, approximately, give or take, in Sarnia, 500 units. Over the last two-and-a-half years, there has been 5,000 tenants who have burned landlords.

MR. EPP: Your problem in Sarnia is very different from what we have encountered in most parts of the province, less than 20 percent and I guess our concern, as a legislative committee, has to be to try to draft legislation which is generally applicable to, you know, 90, 95 percent, hopefully 100 percent of the province, but you have



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3 an anomaly here and it is something I am not sure
4 we can deal with.

5 MR. SCHNURR: Take it to the
6 municipality. You already have the Act in place.
7 The Landlord/Tenant Act contains that clause.
8 Give it some power and let the municipality deal
9 with their own problem. I don't think we in
10 Sarnia should march to the drum of the City of
11 Toronto. Okay? I don't think London has the same
12 problem as they have in Toronto.

13 MS. SMITH: They sure don't want
14 it handed over to them.

15 THE CHAIRMAN: The Minister has
16 a question for you.

17 HON. ALVIN CURLING: You said that you
18 cannot operate, were not able to operate under this
19 Bill in your area. Therefore, you are able to
20 operate under previous Bills?

21 MR. SCHNURR: We were forced to
22 operate under previous Bills.

23 HON. ALVIN CURLING: But you existed
24 under the previous Bills?

25 MR. SCHNURR: Existed is the right
word.

HON. ALVIN CURLING: You existed under



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the previous and you can't operate under this Bill,
so this Bill is worse than the previous Bills?

MR. SCHNURR: That is right.

HON. ALVIN CURLING: You have a 20
percent vacancy rate, you said? And the guidelines
would not have any effect on you at all then?

MR. SCHNURR: Then I missed
something.

HON. ALVIN CURLING: Whatever guidelines
we put in, you would have to charge rents, you
would have to charge a fee for your rent, what you
can get for it. Is that so?

MR. SCHNURR: That is what I think
it should be.

HON. ALVIN CURLING: Whatever guidelines
we put in would have no effect on you anyhow....

THE CHAIRMAN: The market forces
would keep you down anyway with such a high vacancy
rate.

HON. ALVIN CURLING: That is all.

THE CHAIRMAN: I think this should
be the last question.

MS. CAPLAN: Someone made the
point I was going to address. It would seem to me
that since it would almost literally have no effect



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3 on you and right now, whether it is four percent,
4 which we would like to see around the province,
5 three to four percent vacancy rate because that
6 would indicate a healthy market, a free market
7 system which I heard you advocating would have no
8 effect on you whatever?

9 MR. SCHNURR: If we have a
10 Property Standards Board coming around telling me
11 that I have to bring my property up to the code ...

12 MS. SMITH: To get an increase
13 in rent? You wouldn't be going for an increase.

14 MR. SCHNURR: Obviously not,
15 because to bring my building up to the code would
16 cost too much. It does. If they are going to turn
17 around and tell me I have to fix this and this and
18 this.

19 MS. CAPLAN: Only if you are going
20 for an increase. The code has been established, but
21 only comes in effect and the Minister would have
22 discretion under the Bill to withhold that increase
23 if you were not maintaining your building, but if
24 you were not applying for an increase under the
25 Bill, it would not affect you.

MR. SCHNURR: If I can't afford to
do the maintenance on the building and I can't afford



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3 because of the high vacancy and the dilapidated state
4 of the building, if I can't afford to upgrade it to
5 get it into a profit making position ...

6 MS. CAPLAN: This Bill would
7 establish an economic rent level and allow your
8 market rent, if a healthy market existed, to rise
9 to that level when the marketplace improved.

10 MR. SCHNURR: If I am interpreting
11 what you are saying correctly, you are saying this
12 Bill would have no effect on Sarnia's market. Is
13 that correct?

14 MS. CAPLAN: Correct.

15 MR. SCHNURR: Why the hell do we
16 need the Bill in Sarnia?

17 MS. CAPLAN: We don't have the
18 Sarnia situation in every other municipality.

19 MR. SCHNURR: Then let Sarnia deal
20 with its own problem.

21 MS. CAPLAN: We need it in other
22 places. It is an Ontario Bill.

23 MR. REVILLE: Is this argumenta-
24 tive, Mr. Chairman, at all?

25 MR. PIERCE: There are some other
places that don't need the Bill either.

THE CHAIRMAN: Thank you very much,
Mr. Schnurr. I think maybe the Minister is thinking
as you leave the table that the answer to and solution



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3 to your problem in Sarnia is to transfer the whole
4 Ministry of Housing staff to Toronto.

5 MR. JACKSON: Housing costs
6 wouldn't be a drain on the Minister, that is for
7 sure.

8 THE CHAIRMAN: The next presenta-
9 tion is from Cardinal Management Services. Is Mr.
10 Fraser Grant here?

11 Mr. Grant, welcome to the committee.

12 MR. GRANT: I am glad I am not
13 the only one who is not confused tonight.

14 THE CHAIRMAN: Please proceed.

15 MR. GRANT: Mr. Chairman,
16 Honourable Minister, Members of the Committee,
17 Ladies and Gentlemen, I appreciate the opportunity
18 to address your Committee and wish to keep my
19 comments short and to the point.

20 I represent investors who own
21 one or two detached family homes, investors who have
22 transferred out of the city and have chosen to keep
23 their homes and rent them out rather than selling
24 them. These investors are not sophisticated land-
25 lords. They believe that they should have the right
to do as they see fit with their own property. They
are the true entrepreneurs who have faith in the



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3 free market system of supply and demand. In most
4 cases, it is the free market system which has
5 allowed these investors to be in a position of
6 offering rental accommodation. If they cannot
7 receive an adequate return on their investment,
8 their options are to sell to a business which will
9 renovate them to commercial use, to sell to a
10 family that wants to live in the house. Either
11 way rental accommodation is no longer available.
12 Obviously, if a return is not being realized
13 selling to another investor is out of the question.

14 Bill 51 is a step in the right
15 direction. The formative stages of the Bill
16 allowed in put from the landlords' side and the
17 tenants' side through the formation of the Rent
18 Review Advisory Committee. Lengthy discussion
19 and compromise on both sides has resulted in
20 recommendations which represent a fair and
21 equitable overview of the rental accommodation
22 situation as a whole. I do object to the idea
23 of a Residential Rental Standards Board to
24 establish provincewide maintenance standards. Already
25 in place are agencies which essentially perform
that function with the Health Department, Fire



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3 Marshal and various other regulatory bodies
4 within each municipality. All of these agencies
5 have means at their disposal to enforce compliance
6 with local or provincial housing standards.

7 One more government agency we do
8 not need. There is no free ride in this country.
9 Somebody pays the bills. A free lunch in a restau-
10 rant is paid by the restaurant owner. A gift from
11 the government is paid by the taxpayer. Rents that
12 do not provide a fair rate of return are being
13 subsidized by the landlord. This is unfair, yet
14 some of our lower income groups that require
15 assistance and should be assisted by direct
16 subsidies, not by holding rents artificially low
by legislation.

17 The purposes, the proposals put
18 forward by the Advisory Committee are a start.
19 Capital expenditures are generally funded by the
20 investor, the small investor, that is. Because
21 of the present bureaucracy facing them, it is
22 intimidating and an additional expense that cannot
23 be afforded. Simplicity in the process is a must.
24 The current rent review procedure is totally
25 inadequate. The proposals put forward by the
Advisory Committee are a refreshing breath of fresh



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3 air. Every time the government sneezes, it costs
4 the taxpayers money. We cannot operate in an
5 unstable environment over which we have no control.
6 It is apparent that current legislation and short
7 term incentives are not effectively increasing the
8 housing supply. The housing shortage is a long-
9 term problem requiring long-term solutions. Bill
10 51 is the foundation of that long-term solution.
11 I challenge you to act positively on the
12 recommendations of the Rent Review Advisory
13 Committee. The first goal of any politician is to
14 get re-elected. This may colour the decision making
15 process. You asked for and received recommendations
16 from the Advisory Committee. Give their recommenda-
17 tions the green light.

18 THE CHAIRMAN: Thank you, Mr.
19 Grant. Your presentation was succinct and full of
20 clarity. Any questions by members
21 of the Committee?

22 If not, Mr. Grant, thank you very
23 much.

24 MR. GRANT: Thank you.

25 THE CHAIRMAN: There is one more
presentation that has been added. Somebody had
better get here.



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A SPEAKER: He will be right here.

THE CHAIRMAN: Mr. Elms has asked to appear before the Committee knowing that the hour is late and his presentation will be short.

MR. PIERCE: Why is he taking his coat off?

MS. SMITH: Put it on.

THE CHAIRMAN: Mr. Elms was a member of the RRAC Committee ...

MR. ELMS: Was I just fired, Mr. Curling?

THE CHAIRMAN: Proceed.

MR. ELMS: Thank you, Mr. Chairman, and the Committee.

MR. JACKSON: On a Point of Order, could I just check a small point? Is this not the second time we have heard a brief or is this your first presentation?

MR. ELMS: It is my first presentation, Mr. Jackson, to this Committee.

MR. MARTIN: I certainly don't recall Mr. Elms ...

MR. JACKSON: I think you were at the table at one point, but it was clarifying



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3 a point on the RRAC presentation.

4 MR. ELMS: I didn't even have that
5 privilege.

6 MR. JACKSON: I apologize.

7 THE CHAIRMAN: Go ahead, Mr.
8 Elms.

9 MR. ELMS: With regard to that
10 particular point Mr. Jackson raised the truth is,
11 as most of you are probably aware, I wasn't
12 scheduled to speak this evening.

13 There was a problem that most of
14 the tenants in London, the Associations were not
15 aware of a hearing or an opportunity to come before
16 this committee, and so after all the spots that
17 were available were filled up by landlords and
18 organizations who wished to present briefs. As the
19 Committee Chairman will know, I have doggedly
20 pursued him for some time to see if it were possible to
21 make some time available to some of the tenant
22 groups here in the City who did wish to appear.
23 Of course, again keeping your best interests in
24 mind, I know he never suggested to extend us another
25 day, but rather said he would try to find some
time if it was possible.

THE CHAIRMAN: You understate your



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3 efforts.

4 MR. ELMS: I am saying to you that
5 I was trying to get some time available for other
6 tenants groups and even over the weekend Mr. Decker.
7 had my phone number to let me know if there was any
8 cancellation or time available. It didn't become
9 available until today, mid-afternoon, when I was
10 apprised of the fact somebody had cancelled for
11 this evening and, therefore, there was time
12 available for tenants' groups.

13 Obviously, on that short notice,
14 nobody was available or able to come forward and
15 make a presentation quickly. So, I am here on
16 behalf of other tenants and I am here expressing
17 concerns that several of the organizations in the
18 city and around the area have asked me to put
19 forward to the committee.

20 Some of these concerns I am
21 confident we are doing our best on the Rent Review
22 Advisory Committee to address, and I feel that given
23 an opportunity, we probably can come to some
24 reasonable solutions to deal with some of these
25 issues.

Before I go any further, I would
like to say something also to the Committee, a big
thank you, not only for the time available for these



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3 tenants' issues to be aired here in London, but all
4 of us outside of the City of Toronto are just
5 thrilled that all of you showed what we believe
6 is a high degree of understanding in reconsidering
7 your decision earlier not to take Hansard on the
8 road. We want to thank you for that and we
9 appreciate it and I think we have already found
10 out tonight people do read Hansard and it is quite
important to us.

11 There are problems in London
12 just as there are in Toronto, Ottawa and the
13 other cities that you have heard from. The fact that
14 there are not tenants before you tonight or more
15 of them during the day is certainly not an indica-
16 tion of that by any stretch of the imagination.

17 I will briefly be very specific.
18 Some of the concerns they wished me to raise, one
19 building here has over \$100,000.00 damage to and
20 theft from tenants' vehicles parked in the under-
21 ground parking garage during the last nine months,
22 because the garage doors have been left broken.
23 The landlord hasn't bothered fixing them as fast
24 as they should have been fixed.

25 There is an apartment building
here in the city that is less than a dozen years



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3 old, relatively new, where the ceiling on the top
4 floor apartments perpetually leaks and has for
5 some time, where the exterior brick walls are
6 splitting. I will be specific about that. It is
7 where the walls come together, the actual length of
8 the brick that is splitting right down. You can
9 actually stand outside and see the bricks shearing
10 down the middle and coming out the wall. It is
a relatively new building.

11 I am also taking examples from
12 all parts of the city. There is a group of
13 buildings in one area of the city where the abuse
14 and the threatening of the landlord in that partic-
15 ular location, in fact, the concerns and the problems
16 that are going on out there peaked with me when
17 we were listening in Toronto to the Chairman of the
18 Fawltly Towers Tenants' Association and those of
19 you who were present for his submission will
20 remember. I can't help thinking, my God, this
21 guy who has been doing this to the tenants in London
22 has relatives in Toronto doing the same darn thing.
23 There are also problems with an apartment building
24 here in town where there is literally effluent
backing up the toilets and the drains on the lower
25 floor apartments consistently. It has been doing



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3 this for a long, long time.

4 We have another complex here in
5 the city where the tenants have great clusters of
6 green and blue mould growing through the walls in
7 the joints and I am not talking about a few small
8 patches along the baseboard. I am talking about
9 where over a period of years down the full length
10 of the joint of the walls in several of the units
11 there is this mould growing out. It looks like a
12 pattern of wallpaper except it is not. Obviously,
13 it is growing from the inside out and it is a
14 real major problem. These problems exist not only
15 in London, but also in St. Thomas, Woodstock,
16 Strathroy, and, in fact, in very significant
17 numbers in virtually every town and city in
18 Southwestern Ontario. You don't have to rely just
19 on my word about that or even the word of other
20 tenant spokespeople.

21 Just a few months ago, the Mayor
22 of Chatham became so outraged with the disgusting
23 conditions of some apartment buildings in that city
24 that he waged a highly public campaign against
25 landlords who have unashamedly let those buildings
get into that ghastly condition through inexcusable and
ongoing neglect. If the situation is so bad to



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3 get the Mayor outraged, you can imagine the effect
4 on the tenants who are unfortunate enough to live there
5 In far too many cases, they can't move either
6 because they can't afford expensive moving or, more
7 likely, because there are not a sufficient number
8 of affordable alternative apartments. Even if they
9 were able to move, they have already learned as some
10 of you are learning, that there is currently very
11 little they can do to prevent the landlord of
12 another apartment from behaving the same way if he,
13 she, or it decided to do so. The present laws
14 prohibiting such behaviour are like a dying dog,
15 devoid of will and power and all too often
16 these buildings are
17 owned by faceless, nameless, unassailable numbered
18 corporations without bodies or souls.

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20 Clearly, moving is not the answer.
21 Apartments aren't just unessential consumer
22 luxuries. If you don't like the hamburgers from
23 Harvey's, you can always try Wendy's, McDonald, Burger
24 King or go home and make your own. But few of us
25 can make our own apartments and many of us can't
afford to buy or would be unable to maintain our
own houses if we could afford to buy them. There-
fore, we must continue to rent our shelter from
someone else. For many people, simply being in



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3 that position is uncomfortable enough without
4 having to further endure the undeserved
5 neglect of an irresponsible landlord. That kind of
6 landlord can set off some vile tenant character-
7 istics even in the best of us who feel trapped
8 there. Most of this message you have already
9 heard before from tenants in other communities,
10 therefore, I won't go on to describe the problems
11 much further except to reiterate that in every
12 location where it exists in Southwestern Ontario
13 the human, as well as the material consequences of
14 willful ongoing neglect and unconscionable
15 practices of a few unscrupulous landlords are just
16 as severe as they are in the Parkdale area of
17 Toronto or in Ottawa's Centretown neighbourhood and
18 because many apartments are becoming older, the
19 problem is spreading here. What we don't have here
20 or in other areas outside those two capital cities
21 are the greater abundance of social agencies, legal
22 clinics and municipally assisted tenant organizations.

21 Only a few tenants' associations
22 in this area, there are no federations such as
23 those in Toronto, Ottawa or Hamilton, probably
24 because most of the rental housing in the city isn't
25 as old as the apartments in those other cities.



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3 Therefore, the kinds of problems that have developed
4 in rental housing happened in those cities first
5 and by the time the problem started here, the
6 tenants in those other cities had already organized
7 to press for legislation that will protect all of
8 us, thus eliminating most of the need for greater
9 organization here. However, don't let our lack of
10 organization and sophistication lead you to believe
11 that the problems that tenants in other cities have
12 increasingly become vocal about over the past few
13 years aren't becoming a serious problem for us here.
14 They certainly are, and as more people become
15 affected by those problems, such as very bad
16 maintenance, serious harassment by landlords,
17 illegal evictions, et cetera, we are becoming very
18 concerned.

19 I said earlier that in the past
20 there haven't been any occasions when tenants from
21 across this city have felt a need to become
22 organized to protect ourselves. That was true
23 until last year when tenants in several apartment
24 buildings in our city all at once faced the
25 spectre of losing our homes to others who might
buy them as condominiums.

As Chairman of the Tenants'



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3 Association that led a successful campaign to stave
4 off unnecessary conversion of sound, affordable rent
5 apartment buildings, I was the subject of a lot
6 of attention from the news media. That is when I
7 began receiving phone calls and letters from people
8 all over this city and beyond who are suffering
9 through all kinds of disgusting problems, the
10 nature of which I have just gone on with.

11 People often recognize me and stop
12 me in the streets in addition to writing me
13 letters and making phone calls. My telephone became
14 'literally a hot line in this city. They were just
15 grasping for hope that because our Tenants' Associ-
16 ation appeared to know how to fight for tenants
17 rights, perhaps I would be able to tell them how
18 they could finally obtain fair treatment.

19 I was very pleased, and to a large
20 extent relieved, because it was just about at that
21 exact same time that coincidental with a meeting
22 of tenants' associations that took place in Toronto,
23 which, in itself, was rather historic. It was
24 something that had not gone on in the past,
25 although many landlords seemed to think we are
terribly well organized all across the province, at
that particular meeting in November of last year



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3 the Minister of Housing announced that he was
4 forming what he called at that time the Rental
5 Housing Advisory Committee to the government and he
6 was going to invite an equal number of landlord and
7 tenant representatives from across the province to
8 sit down with him and the government to address
9 these problems and to try to come to a reasonable
10 solution to help all of us, and because I was at
11 least as dogged with members of
12 his Ministry, members of the government as I was to
13 try to get tenants a spot to speak here tonight,
14 and I think reasonably because members of the
15 association I belong to have shown a very genuine
16 concern about the issue and also a genuine desire
17 to try and have a reasonable solution, I was
18 fortunate enough to be chosen to join that committee.
19 It gave me, I think, a marvellous opportunity to
20 provide help on a more meaningful level to a lot of
21 the tenants who had been making those phone calls
22 to me and I think that I can honestly say to you now
23 what I intended to say two weeks down the road, when,
24 as a RRAC Committee, we all made our presentation
25 to you; our last presentation to you, and that is
the process that Mr. Sifton outlined a little
earlier that we have all gone through over the last



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3 months, ten months, has, in fact, produced, I believe,
4 in the form of that document we all signed with the
5 exception of one person in April of last year, it
6 has produced the beginnings of a solution to the
7 problem for all of us, for both sides.

8 Many amendments that are coming
9 to Bill 51, I believe, are going to make that Bill
10 reflect more closely the agreement that we signed
11 at that time.

12 Because members of the Rent Review
13 Advisory Committee, our chairpeople have an
14 opportunity to address this committee back in
15 Toronto in another two weeks and because of the
16 lateness of the hour, in fact, I certainly wasn't
17 expecting to make this presentation here tonight,
18 these are scratch notes.

19 One of the things one of the tenants
20 said to me as I was on the phone to him just an
21 hour and a half ago, was "Please, Robert, you have
22 made your input in the past. We believe you have
23 done a good job. Stress the issues, the concerns
24 that we have here, and even though you are working
25 on that, make sure the Committee is aware we have
those concerns. They have obviously heard the
landlords and wait two weeks to give them your



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3 overall rosy view of how wonderful things are and
4 how progressive you have been in trying to solve
5 the problems. Try and get the committee members
6 to dwell on the problems that exist here in London
7 in our area." So, I pass that request on to you as
8 it was passed on to me.

9 THE CHAIRMAN: Thank you, Mr.
10 Elms. Any questions by Committee members?
11 Mr. Jackson.

12 MR. JACKSON: Robert, you
13 indicated you would like us to dwell on the
14 problems and one of the problems we have identified
15 is the fact that there is limited affordable
16 housing in the community, limited stimulative
17 programs in order to obtain that badly needed
18 housing. I wonder if you, as a member of the RRAC
19 Committee, could share with the committee and put on
20 record for Hansard your impression of these 3,000 units
21 that have been discussed by the tenant groups?
22 Mr. Sifton referred earlier to the fact that it
23 was basically a matter that was negotiated within
24 your caucus and you have been present when I asked
25 the question two or three times.

Who made the offer, what is the
status of it, what is your understanding of it?



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3 That would be helpful to the committee.

4 MR. EIMS: First off, I have to
5 understand why Mr. Sifton felt so nervous. He sat
6 down with some of the wealthiest landlords in the
7 province without the public sitting nearby. The
8 answer to the question has nothing to do with
9 nervousness.

10 The tenants on the committee were
11 very forthright to the Minister and, indeed, to his
12 staff and to the landlords that before we could
13 talk about agreeing to the various methods that we
14 had discussed already that would allow landlords
15 to, in fact, be assured of increases in rent that
16 would provide them with a reasonable rate of
17 return on their investment, particularly keeping in
18 mind that as insufficient as some of the landlords
19 may regard it, that there was a provision and is
20 a provision in the Bill and our recommendation for
21 a catch-up clause for chronically depressed rents.

22 We had some idea of how many units we thought
23 would likely be talked about, we wanted to ensure
24 if some of the tenants had to move because of
25 these measures, there would be something affordable
for them to move into. We were very forthright
and open about that.

In their discussions the govern-



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3 ment was also very forthright and quite open with us
4 about their willingness to look at some of the possi-
5 bilities and we got around to discussing specifics,
6 specifics that we requested of the government for
7 3,000 additional non-profit co-operative housing
8 units -- and co-operative housing units across the
9 province for each of the next five years.

10 That is over and above the
11 commitment that has already been made by the
12 government for non-profit co-operative housing on
13 their own and in conjunction with the federal
14 government.

15 The Minister -- I should say the
16 Assistant Deputy Minister was the one who brought
17 the answer back from Cabinet from the Minister to us
18 initially that the government felt this was a
19 reasonable request, they understood it. They made
20 the commitment to us to implement that particular
21 program. We had some discussions with the Minister
22 subsequent to that and we recognize there are some
23 problems involved in making those units available
24 all at once right away.

25 We are also, through our discussions
with the Minister and staff, trying to work with them
to help them to deliver the promise that they made



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3 and I think they made it in good faith and I am
4 hopeful that we still have some more time before
5 the Bill is passed, that within that period of time,
6 through consultation with the Minister, that we will
7 be able to see some of those allotments which, in
8 fact, the Minister has committed to, even if it
9 doesn't come right away, he is going to do it down
10 the line and we are going to work with him to make
11 sure it comes on stream a little faster, and so
12 far he has shown good faith in trying to work with
13 us.

14 MR. JACKSON: If I could pursue
15 the announcement in Ottawa with respect to the
16 net effect of Bill 51 with respect to potential
17 savings in rent increases, are you familiar with
18 the document?

19 MR. ELMS: Yes, I am. I have a
20 copy of it with me.

21 MR. JACKSON: Do you concur with
22 the suggestion in that brief that tenants will
23 receive significant -- less increases of significant
24 amounts, \$45 million approximately, as early as
25 two years from now?

MR. ELMS: The assumptions that
were made by the Ministry staff to arrive at those
conclusions, I think, do predict reasonably worked



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3 out and we have gone over them, using those
4 assumptions that the saving will be in that order.
5 We have also during -- realizing among the tenants
6 on the committee there are people from various
7 organization, as you are aware, and some of those
8 organizations have been involved in the past working
9 through such analogies and we have also, through
10 those organizations, done that and it appears, so
11 far, that even if we were to alter some of the
12 assumptions we used to arrive at those statistics
13 to be somewhat more pessimistic that even if the
14 Ministry's predictions of savings of that amount
15 over the next few years weren't so great that there
16 is a reasonable -- there is good reason to believe
17 that at least there wouldn't be higher increases
18 and quite possibly there will be some reasonable
19 savings there for a large number of tenants,
20 specifically, of course, and especially for those
21 tenants who right now are not governed by rent
22 review.

23 MR. JACKSON: A final question,
24 Mr. Chairman. That is an interesting observation of
25 yours. Can you suggest to us why two tenant
representatives on RRAC have come to the committee
and suggested that this Bill will increase rents



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3 but there were certain trade-offs they were willing
4 to make as a function of that, standards, Rent
5 Registry? There was a series of trade-offs on the
6 3,000 units.

7 The reason I ask that question
8 is because I am seeing some sort of evolution here
9 from three or four weeks ago when we started this
10 process to where we have arrived this evening.

11 Can you, in any way -- I am not
12 really asking you to go into the mind's eye of your
13 two tenant colleagues on the committee, but you
14 were present when one of them on one occasion made
15 that contention.

16 Do you have any reason why they
17 would make that contention, or do you feel you are
18 speaking for a consensus of the tenant groups on
19 that issue?

20 MR. ELMS: Well, in the first
21 place, before I answer your question, I would be
22 very interested to have you explain a little further
23 what the evolution you are talking about that seems
24 to have taken place in the last couple of weeks is?
25 What were you referring to specifically there?

MR. JACKSON: I was referring
specifically to the very simple issue of whether



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3 rents are going to go up more or less than the
4 status quo under Bill 51 and at the beginning of the
5 hearings we received a very clear and loud voice
6 from the Metro Tenant Groups including two members
7 of RRAC, tenant members, that the Bill, in fact,
8 would increase rents and when we asked the Minister
9 was this true, he sort of had an idea but said
10 "I will ask my staff to go investigate it." Whence
11 came his report of last Thursday that he tabled with
12 the committee. That is the evolution I'm referring
to.

13 Now, I'm hearing from Ministry
14 staff that we are looking at net savings and I am
15 hearing from you now as a tenant representative
16 that you concur with those figures. I guess the
17 trick question to you would have been, did you
18 agree with the RRAC tenant members four week ago
19 with the basic premise which was advanced that
20 rents were going to go up because you told me what
21 you feel now, based on that document, but there are
22 still two members of RRAC sitting out there still
stating that rents are going to go up?

23 It is important for us to know
24 what impact this legislation is going to have and
25 I am certain of seeing a change from four weeks ago.



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3 Do you understand that?

4 MR. ELMS: I certainly do, and I'm
5 very purposeful in why I got you to elaborate on
6 it. When the tenants were saying some time ago that
7 they felt that rents would increase, number one, we
8 didn't have the statistics in front of us that the
9 Ministry presented. There
10 was a fear there that there was a possibility that
11 they would go up in the aggregate. The fear was
12 there because we knew, in some instances, they will
13 go up. We are suggesting, in some instances, they
14 should go up. Wherever the landlord has reasonable
15 and justifiable capital expenditures that, in fact,
16 we prescribe methods in the Bill whereby a landlord
17 should be allowed to go for rent review and ask for
18 increases in rents over and above the guideline.
19 The guideline, itself, as you are aware, suggests
20 that during times of low inflation which, if you
21 look back over the last century are the majority
22 of times rents under that guideline should go up
23 very slightly more than the rate of inflation
24 each year.

25 So, we were aware under that
condition they could go up as well. What we
didn't know what when you took those two basic areas of



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3 increases and combined them together and laid them
4 off against the lower increases in rent that were
5 going to be effected against those tenants who
6 lived in uncontrolled buildings or against those
7 tenants who previously had been receiving illegal
8 rent increases because there was no effective
9 means, such as the Rent Registry, to keep track of
10 rents and various other myriad ways in which
11 rents were bucked up under the previous laws, we weren't
12 when we looked at the balance as a whole for
13 sure what the bottom line would be. The Ministry's
14 statistics or the assumptions they made
15 certainly looked pretty good, and as I say, the
16 worst scenarios that we worked through so far have
17 shown that, in fact, on balance, the aggregate
18 of all rents in the province probably will not
19 go up significantly more than they would have in
20 the past if they go up more at all. In other
21 words, if the Ministry is completely way out to
22 lunch and the worst scenario is wrong on this,
23 rents will probably not increase very significantly
24 more than they would have under the existing
25 system.

MR. JACKSON: Thank you, Mr.
Chairman.



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THE CHAIRMAN: Thank you, Mr. Jackson. Mr. Reville.

MR. REVILIE: We may have a way to test that. If this Bill doesn't go through, we have the existing system and we will see. You have probably seen this booklet, Robert.

MR. ELMS: It was a long time coming, yes.

MR. REVILLE: Report of Rent Advisory Review Committee Summary of Recommendations and the 3,000 units that had been mentioned are on Page 1 as Item No. 2.

So, they were clearly pretty important.

MR. ELMS: That is right.

MR. REVILLE: You have provided a very reasoned, responsible answer to Mr. Jackson's questions about the 3,000 units and the problems the Minister may be having in being able to deliver them just on the dot. Both Mr. Robinson and Pilar Amaya-Torres were on the other hand less reasonable sounding than you. They said that one of the things that impelled them to sign the RRAC Report was the balance, the balancing that was provided, if I may use the balancing term which has been



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3 engraved on my brain at the moment. I am trying to
4 understand and I spend a lot of time trying to
5 understand why tenant leaders who have signed the
6 RRAC Report -- I know why they signed the RRAC
7 Report. They signed the RRAC Report because they
8 looked at a number of issues including consumer
9 protection issues, and one of the things they
10 were worried out was low-end supply and 3,000 units
11 per year would have gone a long way to address some
12 of those concerns.

13 So, do you not feel strongly about
14 that as they did?

15 MR. ELMS: Yes, I do, most
16 definitely, and my explanation of understanding the
17 problems in delivery, paying right on the nose for
18 those units is not, by any stretch of the imagination,
19 a statement that I do not believe it is as important
20 an issue as Pilar or Leslie or the other six
21 members of the RRAC Tenant Caucus. They are
22 vitally important and I'm pleased you have asked
23 that question because it would allow me to clear up
24 what might have been a misconception. They are
25 very, very important, but I think you are very
well aware of that, because you have known some of
these people by sitting on the tenant caucus even



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3 longer than I am, much longer, to know, number one,
4 that they are a very bright group of people and
5 they are also a group of people who have a
6 tremendous amount of integrity or they could not
7 have done what they have been doing for many years.
8 Their commitment is very genuine and I think that
9 when the Minister comes and talks to us and sits
10 down with us like he has and his staff have been
11 very good about doing that as well. I don't mean
12 that in a condescending fashion, I mean on short
13 notice we have been able to sit down with him and
14 raise issues with him we hadn't even told him
15 in advance we were going to raise and to the best
16 of his ability and his staff's ability addressed
17 them with us.

18 I hope, before the Bill is passed,
19 we will be more successful together in being able
20 to come up with a method of assuring everyone that
21 those new units, those 3,000 units per year for five
22 years, can be brought about as quickly as possible.

23 MR. REVILLE: Would you go as
24 far as to recommend we not pass the Bill until we
25 have the word on 3,000 units?

MR. ELMS: There I go back to
the old standard that you raised a minute ago and



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3 that is the whole Bill, hold the Bill in the
4 balance until all of us can see what kind of
5 juggling is going to be done with regard to any or
6 all of the various components of the agreement, the
7 recommendation, I think it would be premature for
8
9 me to make such a statement. I would like to see,
10 first of all, what is going to be done with the
11 whole thing. That is going to be the telltale
12 clause.

13 MR. REVILLE: Thank you. Thank
14 you, Mr. Chairman.

15 THE CHAIRMAN: Mr. Gordon.

16 MR. GORDON: Yes, Mr. Elms. Quite
17 frankly, I think you have been seduced.

18 MR. REVILLE: Pardon? What was
19 that?

20 MR. GORDON: Quite frankly, I
21 think Mr. Elms has been seduced.

22 MR. EFP: I think that is an
23 insult. really.

24 Mr. Chairman, I don't think ...

25 MR. GORDON: Listen, Mr. Epp. I
am the housing critic, Mr. Chairman.

MR. EFP: That doesn't mean you



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3 can insult the witnesses.

4 THE CHAIRMAN: I think you are
5 overreacting to a seduction that is only purported.

6 MR. GORDON: I wouldn't want to
7 seduce you, Mr. Epp. I, quite frankly, just because
8 this refers back to Mr. Jackson talking about -- the
9 document that was put out by the Ministry of
10 Housing with regard to the kinds of savings that
11 were going to be coming to tenants in Ontario was
12 a very, very complex, complicated, almost
13 indecipherable document and as a matter of fact I
14 had a C.A. looking at it and they said the assump-
15 tions it is based on are almost spurious.

16 Now, you are telling me, as the
17 the representative of tenants in Ontario that you
18 are prepared to accept that kind of document and
19 the kind of conclusions that are drawn by that
20 document? I mean, the idea here -- we are being
21 subjected to the idea that tenants are going to
22 save a lot of money in this province. I am going
23 to tell you your phone is going to ring because
24 everybody's rent is going up and the assumptions that
25 that is based upon is the idea that you have so
many illegal rents. They picked a magic percentage
as the number of illegal rents in this province,



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3 and there is no basis for that assumption and then
4 they have had big headlines. I think you have been
5 seduced because if that is the kind of stuff you
6 have been subjected to then the tenants in this
7 province have been ill served.

8 MR. ELMS: I am pleased you
9 put your position on the table that clearly.

10 MR. GORDON: I usually do, Mr.
11 Elms.

12 MR. ELMS: I am sincerely pleased
13 did. Thank you very much, Mr. Epp, for jumping into
14 the fray. I am pleased because, quite frankly, I
15 think the tenants in this province were seduced
16 for almost 11 years.

17 MR. REVILLE: You would think
18 they would have caught on.

19 MR. ELMS: I don't believe the previous government
20 brought in a rent control system that they intended
21 to have work. I sincerely believe the previous
22 government in this province brought in a rent
23 control system for the purposes of expediency, of
24 getting itself reelected to improve its chances
25 and it put in a system called rent controls, which in
fact, was Rent Review, that it intended to have
break down, that it intended never to have worked.



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3 They hoped both the landlords and tenants out there
4 across there Ontario would become so disgusted with
5 the system they put in place that we would all cry
6 to have it removed. Well, of course, the problem
7 there was that just putting that kind of system
8 in place does not and did not address the root of
9 the problem why some sort of system of rent
10 control and a lot of corrective measures should have
11 been taken back at that time. They did not
12 correct the essential problems and, therefore, the
13 province persisted and tenants hung onto the one
14 thing they had, however imperfect it may have
15 been, which was rent controls.

16 What we are talking about sitting
17 down here and working through right now and what
18 we have done for the last nine months is to come
19 together as responsible tenant and landlord
20 advocates to discuss a way of solving as many of
21 -- all the problems that are affecting tenants and
22 landlords out there in a manner that can be satis-
23 factory to both.

24 (Applause).

25 With specific regard to your charge
that perhaps the Ministry's assumption and
statistics are slightly out of whack as I mentioned



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3 to you just a few moments ago twice, in fact, those
4 statistics have been and the assumptions gone over
5 by some tenants on our committee and some organiza-
6 tions they are working with.

7 I did not say that we were in
8 agreement with those statistics or those assumptions.
9 What I said was when we took a look at them and we
10 looked at them and said what might happen if the
11 assumptions turned out to be the worst, would, in
12 fact, the system that we are recommending to the
13 people of Ontario, would it, in fact, harm the
14 tenants, cause them to pay the great increases in
15 rent that some tenants' spokespeople have said they
16 would cause and we found no, they would not, that
17 in fact, every time somebody has come before this
18 Committee and tried to show where the rates would
19 be incredibly higher, we have heard figures of
20 \$250 million a year more that tenants would pay,
21 we looked at the assumptions upon which those were
22 based and found out they were completely erroneous.
23 They were based on misinformation about the Bill
24 and I don't blame a lot of those tenants for having
25 those kind of erroneous assumptions because
unfortunately this whole process started about a
month and a half earlier than it probably should have.



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3 We needed about another month and a half on the
4 committee to finalize all the pieces of the
5 legislation that we were trying to get the govern-
6 ment to put in place. As you are aware, there are
7 still 140 amendments to come to this Bill to make
8 it more closely reflect the agreement we came to
9 in April.

10 MR. GORDON: Your argument would
11 make sense if you hadn't based the savings that the
12 tenants were supposed to get on spurious assumptions.

13 MR. ELMS: Our assumptions weren't
14 spurious. You may jostle the government over theirs
15 but we had our own ---

16 THE CHAIRMAN: Mr. Curling.

17 HON. ALVIN CURLING: Mr. Elms, you,
18 have heard many of the comments to us. Did you
19 hear a tremendous amount of complaints from tenants'
20 representatives that unreasonable rents
21 were being charged illegally - rents by landlords?

22 MR. ELMS: Yes, absolutely, Mr.
23 Minister. Absolutely.

24 HON. ALVIN CURLING: With the Rent Registry
25 we can see what
the maximum legal rent was that could be charged
so one could identify the legal rent?

MR. ELMS: I will start to



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3 answer that question by saying that a lot of the
4 tenants -- I would say probably all of us in
5 reality had some real concerns and perhaps some
6 scepticism about the whole concept of maximum
7 legal rents. So, I will go farther and answer
8 your question a little more than what you asked
9 and say that once we had wrestled that concern to
10 the ground, then yes, we were very much concerned
11 with getting on and having the government get on
12 with what many tenant organizations have been
13 promised by the previous government years ago which
14 was a rent registry and so it was a very important
15 part of the package. There's no doubt about it,
16 very important.

HON. ALVIN CURLING: Bill 51, and when
17 it does is brings into the post-1975 units, rental
18 units that were not under rent review, that is
19 about 130,000 units. By doing so, do you say that
20 tenants, those tenants are now protected under the
21 process of rent review?

MR. FLMS: I will do better than
22 that, Mr. Minister. I will suggest rather than me
23 making that kind of prediction apparently my
24 vision of it, which may be suspect to some members
25 here, I will suggest to you when you get to



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3 Amherstburg tomorrow that members of this committee
4 are probably going to get dumped on just as quick
5 and hard as I was a few months back when I was
6 there with William Grenier, a member of the
7 committee and Assistant Deputy Minister
8 of Housing, Mr. Church where I had tenants showing --
9 holding up their papers in their hand where for the
10 last three years in a row they had had
11 increases of over 30 percent a year because their
12 buildings are not covered by rent control That is
13 a 90 percent increase, better than 90 percent
14 increase in three years.

15 Yes, sir, that is going to make
16 a very significant impact upon the lives of many
17 tenants.

18 HON. ALVIN CURLING: Although we tried
19 with the Rent Review Advisory Committee to sit down
20 and investigate protection for tenants and also to
21 treat landlords fairly, your committee went into
22 detailed discussion about all aspects of
23 a housing policy like supplies, and to say that
24 protection of tenants alone and treating the
25 landlords fairly is not sufficient because of the
shortage of affordable housing. Whoever raised
the question is not even significant but the
recognition that there should be more supplies on



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3 in order to address that concern, I think the 3,000 came
4 up at that time and when that was brought
5 forward, I recognized that was a concern. I
6 don't want to ask another question, but to state it
7 is something we looked at very seriously. As a
8 matter of fact, and this is 16,000 units have so
9 far been placed on the rental market we built and
10 the 3,000 is being looked at and that came -- did
11 that come after the budget, was that presented
12 after the Ministry of Housing got their budget? Did
13 that proposal come after?

14 MR. ELMS: I think it is true to
15 say the Minister, not just because I have been
16 there and I have had an opportunity to talk with
17 not just the Minister's assistants, not the
18 political people, but be there and actually talk
19 with the secretaries.

20 Mr. Curling wasn't around and the
21 people doing the work, I am aware of the some of
22 the real problems ---

23 MR. REVILLE: Secretaries do the
24 work?

25 MR. JACKSON: It is bad enough
the Assistant Deputy Minister of this province is



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3 advising and now we are told Deputy Ministers and
4 the Minister of Housing are advising tenant
5 groups?

6 MR. ELMS: If I may go on to
7 answer the question quite simply.

8 MR. JACKSON: It is absolutely
9 incredible.

10 MR. ELMS: We have got new units
11 on the market, and a whole attitudinal change
12 to the government structure and I think it is a
13 major problem and that you, along with your senior
14 staff and your lower and middle staff tried as
15 best you can to address that. I hope through
16 conversation, we can address it a little bit
17 further. There is a major point, before I leave
18 here and before Mr. Chairman brings down the gavel
19 that I would like to make.

20 It is, I believe, the most
21 important message I would like to make that the
22 tenants of London and I begin to think that is
23 why we're here and the tenants in London and this
24 area wanted me to bring forward to this Committee
25 and that is I think most of them believe the
measures we propose to the degree they understand
them in Bill 51 are going to allow for basically



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3 reasonable rent increases, but their major concern,
4 in fact, is that they get good value for their
5 dollar. The major concern that they have is not
6 just that landlords are guys who are making
7 tremendous profits and we want to make sure they
8 get as little as possible. The concern is we don't
9 have a lot of money in many cases. We can't afford
10 large increases, so the increases we do get we want
11 to make sure we are getting back the value for our
12 dollar.

13 That means good maintenance and
14 it means good behaviour by landlords and I think
15 that is an issue where the Rent Review and Advisory
16 Committee can be most helpful to this Committee
17 of the legislature. I hope we have an opportunity
18 to pursue that.

19 THE CHAIRMAN: It is most
20 appropriate that we end our day hearing from a
21 tenant representative on the RRAC Committee. We
22 appreciate your presence.

23 MR. ELMS: Thank you, Mr. Chairman.

24 THE CHAIRMAN: The Committee is
25 adjourned until tomorrow afternoon at 1:00 p.m. in
Windsor.

--- WHEREUPON HEARING ADJOURNED AT 9:40 p.m.



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Toronto, Ontario

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--- CERTIFIED CORRECT:

S. Shambleau

S. Shambleau, CVR

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